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

**ITEM**
3.7
(ID # 9874)

**MEETING DATE:**
Tuesday, May 21, 2019

**FROM :** EXECUTIVE OFFICE:

**SUBJECT:** EXECUTIVE OFFICE: Fiscal Year 2019-2020 Tax and Revenue Anticipation Notes. All Districts. [$353,000 - Note Proceeds 100%] (VOTE ON SEPARATELY)

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve and adopt Resolution No. 2019-120 Authorizing and Approving the Borrowing Of Funds For Fiscal Year 2019-2020; the Issuance and Sale Of The Fiscal Year 2019-2020 Tax And Revenue Anticipation Notes; and the Execution and Delivery of Related Documents.

**ACTION:Policy, Separate Vote Required**

Stephanie Perez, Principal Management Analyst 5/14/2019

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**MINUTES OF THE BOARD OF SUPERVISORS**

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

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| Ayes: | Jeffries, Spiegel, Washington, Perez and Hewitt |
| Nays: | None |
| Absent: | None |
| Date: | May 21, 2019 |
| xc: | E.O. |

Kecia Harper
Clerk of the Board
By: Deputy

| FINANCIAL DATA | Current Fiscal Year: | Next Fiscal Year: | Total Cost: | Ongoing Cost |
|---|---|---|---|---|
| COST | $ 0 | $353,000 | $353,000 | $ 0 |
| NET COUNTY COST | $ 0 | $ 0 | $ 0 | $ 0 |
| SOURCE OF FUNDS: 100% Note Proceeds | | | Budget Adjustment: No | |
| | | | For Fiscal Year: 2019-2020 | |

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

**BACKGROUND:**

**Summary**

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

As a cost savings measure the County evaluates annually the option of prepaying its pension obligation. Board Policy B-25 (Pension Management Policy) directs the Pension Advisory Review Committee (PARC) to review and make a recommendation regarding the prepayment of the annual CalPERs contribution.

PARC recommended the prepayment of the CALPERS contribution for the last 12 years and recommends the prepayment of the FY19-20 payment. Staff will continue to evaluate the cash flow benefit of the prepayment up to the pricing of the TRANs. If, at the time of the pricing, there is insufficient savings, the prepayment will be removed from the TRANs.

The County's issuance cost for the TRANs will be approximately $353,000 assuming a $340 million issuance. It is anticipated that interest rates for the tax-exempt notes will be approximately 1.70% for a 12-month note.

The FY 2019-20 resolution authorizes the issuance of tax and revenue anticipation notes in an amount not-to-exceed $340,000,000, though the actual amount should be less. The large authorization provides the flexibility to issue an additional series of notes in the event the County and State budgets change substantially. The resolution also appoints the law firm of Orrick, Herrington & Sutcliffe LLP as bond counsel to the County, Kutak Rock LLP as disclosure counsel for the notes, Fieldman, Rolapp & Associates as financial advisor, and Bank of America Merrill Lynch, as senior managing underwriter, together with UBS Financial Services Inc., as co-manager.

The Debt Advisory Committee has recommended the FY 2019-20 TRANs for approval.

**Impact on Residents and Businesses**

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

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

**ATTACHMENTS:**

A. Resolution No. 2019-120 Authorizing and Approving the borrowing of funds for fiscal year 2019-2020
B. 2019-20 TRANs Paying Agent Agreement
C. 2019-20 TRANs Purchase Agreement
D. Preliminary Official Statement
E. Appendix A

Gregory P. Priamos, Director County Counsel 5/15/2019

**COUNTY OF RIVERSIDE**

**RESOLUTION NO. 2019-120**

**RESOLUTION AUTHORIZING AND APPROVING THE BORROWING OF FUNDS FOR FISCAL YEAR 2019-2020; THE ISSUANCE AND SALE OF A 2019 TAX AND REVENUE ANTICIPATION NOTE; AND THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS**

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

**WHEREAS**, the Board of Supervisors of the County (the "Board") has determined that a sum (the "Principal Amount") not to exceed a maximum principal amount of $340,000,000, is needed for the requirements of the County, to satisfy obligations of the County, and that it is necessary that said Principal Amount be borrowed for such purpose at this time by the issuance of a note or notes therefore in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County, and provided for or attributable to its fiscal year ending June 30, 2020 ("Repayment Fiscal Year");

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

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

**WHEREAS,** no money has heretofore been borrowed by or on behalf of the County through the issuance of tax and revenue anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue, cash receipts or other moneys for the Repayment Fiscal Year (other than amounts heretofore pledged by the County for the payment of its Teeter Plan obligations pursuant to Resolution No. 97-203, as such resolution may be amended or supplemented from time to time);

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

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

FORM APPROVED COUNTY COUNSEL
BY: [signature] 29 May 2019
DAVID M. McCARTHY DATE

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

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

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

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

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

**Section 1. __Recitals__.** All the above recitals are true and correct.

**Section 2. __Authorization of Issuance__.** This Board hereby determines to borrow solely for the purpose of anticipating taxes, income, revenue, cash receipts and other moneys to be received or accrued by the County for the general fund of the County and provided for or attributable to the Repayment Fiscal Year, by the issuance of a note or notes, pursuant to the provisions of the Act, designated the County's "2019 Tax and Revenue Anticipation Note," with an appropriate series designation if more than one note is issued (collectively, the "Note"), to be issued in the form of a fully registered note or notes, in denominations of $5,000 or integral multiples thereof, in a combined amount not to exceed the Principal Amount, to be dated the date of delivery to the initial purchaser thereof, to mature on a date or dates, if more than one note is issued, with or without option of prior redemption at the election of the County, not more than 15 months thereafter on a date indicated on the face thereof and determined in the Purchase Agreement (each such date, a "Maturity Date"), and to bear interest, payable on its Maturity Date (and if the Maturity Date is more than 12 months from the date of issuance, payable on the interim interest payment date set forth in the Purchase Agreement) and computed upon the basis of a 360-day year consisting of twelve 30-day months, or a 365- or 366-day year, as the case may be, and actual days elapsed, at a rate or rates, if more than one Note is issued, not to exceed 12% per annum as determined in the Purchase Agreement and indicated on the face of the Note (the "Note Rate"). If the Note is not fully paid at maturity, the unpaid portion thereof shall be deemed outstanding and shall continue to bear interest thereafter until paid. In each case set forth in the preceding two sentences, the obligation of the County with respect to such unpaid Note shall not be a debt or liability of the County prohibited by Article XVI, Section 18 of the California Constitution, and the County shall not be liable thereon except to the extent of any available revenues provided for or attributable to the Repayment Fiscal Year, as provided in Section 7 hereof. Both the principal of and interest on the Note shall be payable in lawful money of the United States of America.

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

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

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

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

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

**Section 6. Disposition of Proceeds of Note; Investment.** The moneys received from the sale of the Note shall be deposited in the County's "2019 Note Proceeds Account" (herein called the "Proceeds Account") which Proceeds Account is hereby established and maintained with the County Treasurer-Tax Collector. The moneys received from the sale of the Note deposited in the County's Proceeds Account may be used and expended by the County for any purpose for which it is authorized to expend funds.

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

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

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

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

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



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

3. Federal Housing Administration debentures.

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

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

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

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

8. Repurchase agreements with financial institutions or banks insured by the FDIC or FSLIC, or any broker dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), or any other financial institutions, provided that: (a) the repurchase

agreement is over-collateralization at one hundred two percent (102%), computed weekly, consisting of securities as described in clauses (1) and (2) above; (b) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (c) the Trustee shall have perfected a first priority security interest in such obligations; and (d) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral;

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

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

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

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

In order to effect the pledge referenced in the preceding paragraph, the County hereby agrees to the establishment and maintenance of a "2019 Note Payment Account" (herein called the "Payment Account") by the Paying Agent as the responsible agent to maintain such an account until the payment of the principal of the Note and the interest thereon, and the County further agrees to cause to be deposited in the Payment Account from amounts received in the months specified in the Purchase Agreement as Repayment Months (each individual month a "Repayment Month" and collectively "Repayment Months") (and any amounts received thereafter provided for or attributable to the Repayment Fiscal Year) until the amount on deposit in the Payment Account, is equal in the respective Repayment Months identified in the Purchase Agreement to the percentage of the principal of and interest due on the Note specified in the Purchase Agreement. Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement that is a Permitted Investment through the Maturity Date.

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

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

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

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

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

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

**Section 9. Use of Depository; Registration, Exchange and Transfer.**

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

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

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

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

(iii) to any person as provided below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the County Officer to discontinue using DTC or a depository.

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

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

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

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

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

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

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

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

**Section 10. <u>Representations and Covenants of the County</u>.** The County makes the following representations and covenants for the benefit of the holders of the Note:

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

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

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

(D) Except as may be required under blue sky or other securities laws of any state or Section 3(a)(2) of the Securities Act of 1933, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the County required for the issuance and sale of the Note or the consummation by the County of the other transactions contemplated by this Resolution, except those the County shall obtain or perform prior to or upon the issuance of the Note.

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

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

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

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

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

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

(K) Except for Parity Notes, if any, permitted to be executed and delivered pursuant to Section 7 hereof, the County shall not incur any indebtedness secured by a pledge of its

Pledged Revenues unless such pledge is subordinate in all respects to the pledge of Pledged Revenues hereunder.

(L) The information contained in the Official Statement (excluding the statements and information under the heading "UNDERWRITING" and under "THE NOTE—Book-Entry Only System"), as of the time of delivery thereof to the Underwriter and at all times subsequent thereto up to and including the closing, will be true, complete, correct and final in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

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

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

**Section 12. Events of Default and Remedies.**

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

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

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

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

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

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

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

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

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

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

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

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

**Section 15. Approval of Actions.** All actions heretofore taken by the officers and agents of the County or this Board with respect to the sale and issuance of the Note are hereby approved, confirmed and ratified, and the County Officers and agents of the County are hereby authorized and directed, for and in the name and on behalf of the County, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Note in accordance with, and related transactions contemplated by, this Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Section 21.** **Appointment of Municipal Advisor and Underwriter**. The County approves the appointment of Fieldman, Rolapp & Associates, Inc., as municipal advisor for the County for the Note (the "Municipal Advisor") pursuant to its existing contract to provide financial advisory services for the County.

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

**Section 22.** **Effective Date.** This Resolution shall take effect from and after its date of adoption.

ROLL CALL:

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None

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

Kecia R. Harper, Clerk of said Board

By ______________________
Deputy

## EXHIBIT A

## FORM OF NOTE

COUNTY OF RIVERSIDE

2019 TAX AND REVENUE ANTICIPATION NOTE, SERIES ___[*/]

| Interest Rate | Maturity Date | Date of Original Issue |
|---|---|---|
| % | | July 1, 2019 |
| **First Repayment Month** | **Second Repayment Month** | **Third Repayment Month** |
| __% (Total of principal and interest due on Note at maturity) | __% (Total of principal and interest due on Note at maturity) | __% (Total of principal and interest due on Note at maturity)[**/] |

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

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

It is hereby certified, recited and declared that this Note (the "Note") represents the authorized issue of the Note in the aggregate principal amount made, executed and given pursuant to and by authority of certain resolutions of the Board of Supervisors of the County (the "Board") duly passed and adopted heretofore, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code

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

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

(collectively, the "Resolution"), to all of the provisions and limitations of which the owner of this Note, by acceptance hereof, assents and agrees.

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

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

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

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

COUNTY OF RIVERSIDE

By: ______________________________
Title:

Countersigned

By:______________________
Title: Clerk

# PAYING AGENT AGREEMENT

**THIS PAYING AGENT AGREEMENT** is entered into as of July 1, 2019 (the "Agreement"), by and between County of Riverside, California (the "County") and The Bank of New York Mellon Trust Company, N.A., (the "Paying Agent"), a national banking association duly organized and operating under the laws of the United States of America.

**WHEREAS,** the County has duly authorized the sale and issuance of the County of Riverside 2019 Tax and Revenue Anticipation Note (the "Note") pursuant to the Resolution No. 2019-120 adopted by the County on May 21, 2019 (the "Resolution");

**WHEREAS,** in connection with the issuance of its Note, the County has agreed to pay certain of the costs associated with the issuance and delivery of the Note (the "Costs of Issuance"); and

**WHEREAS,** the Paying Agent has agreed to act as Paying Agent for the Note and to accept the deposit in the amount of $353,000.00 for payment of certain Costs of Issuance (the "COI Deposit") and to disburse payments of Costs of Issuance to various persons, upon instruction and has full power and authority to perform and serve as Paying Agent for the County in connection with the Note and the payment of the Costs of Issuance;

**NOW, THEREFORE,** it is mutually agreed as follows:

## ARTICLE I
## APPOINTMENT OF PAYING AGENT

**SECTION 1.01 APPOINTMENT.** The County hereby appoints the Paying Agent to serve as Paying Agent with respect to the Note and the payment of Costs of Issuance, upon receipt of invoices by the Paying Agent, all in accordance with, respectively, the Resolution and this Agreement. The Paying Agent hereby accepts its appointment and agrees to serve as Paying Agent for the Note and the disbursement of the COI Deposit to pay Costs of Issuance.

**SECTION 1.02 COMPENSATION.** The Paying Agent will receive a one-time fee of [$1,250.00] payable out of the COI Deposit, as compensation for the Paying Agent's services hereunder. If the amount on deposit in the Costs of Issuance Account is not sufficient to pay such fee to the Paying Agent, the County shall pay the Paying Agent from available funds of the County all amounts necessary to compensate the Paying Agent pursuant to this Section 1.02. In addition, the Paying Agent shall be entitled to payment of all reasonable expenses (including, without limitation, legal fees and expenses) incurred in satisfaction of any of the provisions hereof, out of the COI Deposit or, if such funds no longer exist or are not sufficient, the County shall make such reimbursement to the Paying Agent.

## ARTICLE II
## COST OF ISSUANCE ACCOUNT

**SECTION 2.01 COSTS OF ISSUANCE ACCOUNT.** There is hereby established an account to be known as County of Riverside 2019 Tax and Revenue Anticipation Note Costs of

Issuance Account (the "Costs of Issuance Account") to be held by the Paying Agent, into which the County shall cause to be deposited the COI Deposit.

## ARTICLE III
## DUTIES OF PAYING AGENT

**SECTION 3.01** **DUTIES OF PAYING AGENT.** (a) The Paying Agent shall pay from the COI Deposit held in the Costs of Issuance Account those Costs of Issuance for which the Paying Agent has received a written invoice; provided that (i) each payee is listed as entitled to payment of Costs of Issuance on Exhibit A to this Agreement, (ii) the amount paid shall not exceed the amount set forth with respect to such payee in Exhibit A and (iii) amounts on deposit in the Costs of Issuance Account are sufficient to cover such payment.

(b) If the then remaining amounts on deposit in the Costs of Issuance Account are insufficient to pay any Costs of Issuance for which an invoice set forth in Exhibit A has been presented to the Paying Agent, the Paying Agent shall honor invoices to the extent of amounts remaining on deposit in the Costs of Issuance Account, and the County shall be responsible for payment of any amount of such invoice remaining unpaid. The Paying Agent shall honor invoices on a first received – first paid basis.

(c) The Paying Agent shall invest all cash in the Costs of Issuance Account as directed in writing by the County from time to time.

The Paying Agent shall not be responsible for any investment losses which may occur. The Paying Agent shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written investment direction from the County. The County acknowledges that regulations of the Comptroller of the Currency grant the County the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the County specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Paying Agent that no brokerage confirmations need be sent relating to the security transactions as they occur. The Paying Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the County.

(d) Any earnings in the Costs of Issuance Account shall remain in said account, until such account is closed. The Costs of Issuance Account shall be closed on the earlier to occur of (1) the date which is 45 days following the Closing Date of the Note; (2) the date on which each invoice scheduled on Exhibit A is paid in full; or (3) the date that the last available sums on deposit in the Costs of Issuance Account are disbursed in accordance with paragraph (a) above. At that time, the Paying Agent shall remit any amount remaining in the Costs of Issuance Account to the County.

(e) The Paying Agent shall also have such duties as assigned to it under the Resolution.

## ARTICLE IV
## ADDITIONAL PROVISIONS REGARDING THE PAYING AGENT

**SECTION 4.01** **ADDITIONAL RIGHTS AND DUTIES.** The Paying Agent undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof and may conclusively rely on certificates, invoices and requisitions furnished to the Paying Agent. In addition:

(a) No provisions of this Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(b) The Paying Agent may rely, shall be protected in acting or refraining from acting upon and shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, resolution, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(c) The Paying Agent may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and completed authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(d) Neither the Paying Agent nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Agreement or in connection herewith except to the extent caused by the Paying Agent's gross negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review. The Paying Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(e) Any bank, corporation or association into which the Paying Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Paying Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Paying Agent shall be the successor of the Paying Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

(f) The County shall indemnify, defend and hold harmless the Paying Agent and its officers, directors, employees and agents, from and against and reimburse the Paying Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Paying Agent directly or indirectly relating to, or arising from, claims against the Paying Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Paying Agent's gross negligence or willful misconduct. The provisions of this Section 4.01(f) shall survive the termination of this Agreement or the earlier resignation or removal of the Paying Agent.

(g) The Paying Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Paying Agent Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Paying Agent, or another method or system specified by the Paying Agent as available for use in connection with its services hereunder); provided, however, that the County shall provide to the Paying Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the County whenever a person is to be added or deleted from the listing. If the County elects to give the Paying Agent Instructions using Electronic Means and the Paying Agent in its discretion elects to act upon such Instructions, the Paying Agent's understanding of such Instructions shall be deemed controlling. The County understands and agrees that the Paying Agent cannot determine the identity of the actual sender of such Instructions and that the Paying Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Paying Agent have been sent by such Authorized Officer. The County shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Paying Agent and that the County and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the County. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The County agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Paying Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the County; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Paying Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

**SECTION 4.02** **MONEY HELD BY PAYING AGENT.** The Paying Agent shall hold the COI Deposit in the Costs of Issuance Account to be held in a fiduciary capacity for the payment of Costs of Issuance. Payments made from the Costs of Issuance Account shall be made by check or wire transfer drawn on such trust account.

All funds at any time and from time to time provided to or held by the Paying Agent hereunder shall be deemed, construed, and considered for all purposes as being provided to or held by the Paying Agent in trust and as a Paying Agent for the County, for payment of Costs of Issuance for the benefit of the County. The Paying Agent acknowledges, covenants, and represents that it is acting therein in an agency capacity in relation to such funds, and is not accepting, holding, administering, or applying such funds as a banking depository, but solely as paying agent for and on behalf of the County, to be applied as Paying Agent pursuant to the terms of this Agreement. The County shall be entitled to the same preferred claim and first lien on the funds so provided as are enjoyed by the beneficiaries of trust funds generally. The funds provided to the Paying Agent hereunder shall not be subject to warrants, drafts, or checks drawn by the County and, except as expressly provided herein, shall not be subject to compromise, setoff, or other charge or diminution by the Paying Agent.

The Paying Agent shall be under no liability for interest on any money received by it hereunder.

## ARTICLE V
## MISCELLANEOUS PROVISIONS

**SECTION 5.01 AMENDMENT.** This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**SECTION 5.02 ASSIGNMENT.** This Agreement may not be assigned by either party without prior written consent of the other, provided, however, that no such prior consent is required for an assignment by the Paying Agent if such assignment is to a successor by operation of law or in connection with a merger, consolidation, conversion or sale of all or substantially all of the Paying Agent's corporate trust business.

**SECTION 5.03 NOTICES.** Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the County or the Paying Agent shall be mailed or delivered to the following addresses:

To the Paying Agent at:

The Bank of New York Mellon Trust Company, N.A.
400 S. Hope Street, Suite 500
Los Angeles, CA 90071
Attn: Jane Thang
Tel: (213) 553-4343
Fax: (877) 269-6192

To the County at:

County of Riverside
Executive Office
4080 Lemon Street, 4th Floor
Riverside, CA 92501
Attn: Principal Management Analyst

**SECTION 5.04 SUCCESSORS AND ASSIGNS.** All covenants and agreements herein by the County shall bind its successors and assigns, whether so expressed or not.

**SECTION 5.05 SEVERABILITY.** In case any provision herein shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 5.06** **BENEFITS OF AGREEMENT.** Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

**SECTION 5.07** **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between the parties hereto relative to the Paying Agent acting in such capacity as agent of the County.

**SECTION 5.08** **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**SECTION 5.09** **TERMINATION.** This Agreement will terminate on the date that the Note is paid in full. This Agreement may be earlier terminated by either party upon 30 days written notice. Upon an early termination of this Agreement, the Paying Agent agrees to promptly transfer and deliver to the County all pertinent records relating to the Costs of Issuance Account and the Note.

**SECTION 5.10** **GOVERNING LAW.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

**IN WITNESS WHEREOF,** the parties have executed this Agreement as of the date and year first above written.

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,** as Paying Agent

By: ______________________________
Authorized Officer

**COUNTY OF RIVERSIDE**

By: ______________________________
__________,
[Deputy County Executive Officer]

## EXHIBIT A

## SCHEDULE OF COSTS OF ISSUANCE

| | |
|---|---|
| Issuer's Expenses | Riverside County |
| Issuer's Counsel | County Counsel |
| Financial Advisor | Fieldman Rolapp & Associates, Inc. |
| Bond Counsel | Orrick, Herrington & Sutcliffe LLP |
| Disclosure Counsel | Kutak Rock LLP |
| Rating Agency Fee | Fitch, Inc. |
| Rating Agency Fee | S&P Global Ratings |
| O.S. Printing | Elabra |
| Paying Agent | BNY Mellon |
| Contingencies | |
| Total | |

**$________**
**COUNTY OF RIVERSIDE**
**2019 TAX AND REVENUE**
**ANTICIPATION NOTE**

**CONTRACT OF PURCHASE**

________, 2019

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

Ladies and Gentlemen:

BofA Securities, Inc., as representative (the "Representative") of itself and UBS Financial Services (together, the "Underwriters") offers to enter into this Contract of Purchase (the "Contract of Purchase") with the County of Riverside (the "County"). This offer is made subject to written acceptance by the County prior to 11:59 p.m., Pacific Daylight Time, on the date hereof, and, upon such acceptance, this Contract of Purchase will be binding upon the County and the Underwriters.

1. Purchase and Sale of the Note. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agree to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriters for such purpose, all (but not less than all) of the County's 2019 Tax and Revenue Anticipation Note in the aggregate principal amount of $________ (the "Note"). The aggregate purchase price to be paid by the Underwriters for the Note shall be $_________ being the principal amount of the Note, plus original issue premium of $_________, and less an Underwriters' discount of $__________.

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

2. The Note. The Note shall be dated its date of issuance and shall mature on June 30, 2020. The Note is being issued under a resolution adopted by the Board of Supervisors of the County (the "Resolution"), in full conformity with the Constitution and laws of the State of California including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), as amended and supplemented. The Note will bear interest at the rate of _____% per annum, priced to yield ____% to maturity. The Note will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("DTC") in New York, N.Y., the securities depository for the Note.

3. Use of Documents. The County has delivered to the Underwriters its Preliminary Official Statement dated May ___, 2019 (the "Preliminary Official Statement"). As of its date, such Preliminary Official Statement has been "deemed final" by the County for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), except for information permitted to be omitted by said Rule. The County agrees to deliver to the Underwriters a final Official Statement, dated the date hereof (the "Official Statement") within 7 business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The Preliminary Official Statement and the Official Statement shall be delivered within the time period and in adequate format to comply with the Rule and the rules of the Municipal Securities Rulemaking Board ("MSRB"). The County has approved the distribution by the Underwriters of the Official Statement and the County hereby authorizes the Underwriters to use, in connection with the offer and sale of the Note, the Official Statement and the Resolution and all information contained herein and therein and all other documents, agreements, certificates or statements furnished by the County to the Underwriters or entered into in connection with the transactions contemplated by this Contract of Purchase.

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

In connection with the issuance of the Note, the County will enter into the Paying Agent Agreement, dated as of July 1, 2019 (the "Paying Agent Agreement"), by and between County and The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent"), a national banking association duly organized and operating under the laws of the United States of America.

4. Establishment of Issue Price. (a) The Representative, on behalf of the Underwriters, agrees to assist the County in establishing the issue price of the Note and shall execute and deliver to the County at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the County and Note Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Note. All actions to be taken by the County under this section to establish the issue price of the Note may be taken on behalf of the County by the County's municipal advisor and any notice or report to be provided to the County may be provided to the County's municipal advisor.

(b) The County will treat the first price at which 10% of the Note (the "10% test") is sold to the public as the issue price of the Note. At or promptly after the execution of this Contract of Purchase, the Representative shall report to the County the price or prices at which the Underwriters have sold to the public the Note.

(c) The Underwriters acknowledge that sales of any Note to any person that is a related party to either of the Underwriters shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Note to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Note to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Note to the public), and

(iii) a purchaser of any of the Note is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

5. Closing. At 8:00 a.m., Pacific Daylight Time, on July 1, 2019, or at such other time and on such other date as shall have been mutually agreed upon by the County and the Underwriters (the "Closing Date"), the County will deliver to the Underwriters, through the facilities of DTC, the Note in registered form duly executed and other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the County (the "Closing").

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

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

(b) All representations and warranties set forth in the Resolution are true and correct on the date hereof and are made for the benefit of the Underwriters as if set forth herein.

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

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

(e) The adoption of the Resolution and the execution and delivery of this Contract of Purchase, and compliance with the provisions hereof and thereof, will not in any material respect conflict with, or constitute a breach of or default under, the County's duties under the Resolution or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the County is subject or by which it or any of its property is bound.

(f) Except as otherwise disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before any State court or public body, pending or, to the best knowledge of the County, threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the County or the entitlement of the officials of the County to their respective offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of the Note, the application of the proceeds of the sale of the Note, or the collection of taxes, income, revenue, cash receipts and other moneys of the County pledged or to be pledged or available to pay the principal of and interest on the Note, or the pledge thereof, or in any way contesting the validity of the Note or the Documents, or contesting the powers or authority of the County with respect to the Note or the Documents; or (iii) in which a final adverse decision would (a) materially adversely affect the amount of taxes, income, revenue, cash receipts and other moneys of the County available to pay the Note, (b) materially adversely affect the consummation of the transactions contemplated by the Documents, or (c) declare the Documents to be invalid or unenforceable in whole or in material part.

(g) As of the date thereof and at all times prior to the execution of this Contract of Purchase, the Preliminary Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by the Rule.

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

(i) The County undertakes that, for a period beginning with the day on which the Note is delivered to the Underwriters and ending on the earlier of (i) the 25th day following the end of the underwriting period, as defined in the Rule, or (ii) 90 days following Closing, it will (a) apprise the Underwriters of all material developments, if any, occurring with respect to the County and (b) if determined by the County or requested by the Representative, prepare a supplement to the Official Statement in respect of any such material event. Unless otherwise notified in writing by the Representative, the County may assume that the end of this underwriting period occurs on the date when the County delivers the Note to the Underwriters.

(j) Between the date hereof and the Closing, without the prior written consent of the Representative, the County will not have issued any bonds, notes or other obligations for borrowed money except as may be described in or contemplated by the Official Statement.

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

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

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

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

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

(p) The Note will be issued only under and within the limits of the Act, and, as such, are general obligations of the County, but payable only out of certain taxes, income, revenue, cash receipts and other moneys to be received by the County attributable to County Fiscal Year 2019-20, as set forth in the Resolution.

(q) The County's Comprehensive Annual Financial Report (CAFR) as of June 30, 2018, for the fiscal year ended on such date, as described or set forth, as appropriate, in the Official Statement, is true, complete and correct and fairly presents the financial condition of the County as of such date and the results of its operations for such fiscal year. There has been no material adverse change in the financial condition of the County since June 30, 2018, except as described in the CAFR or the Official Statement.

(r) In order to effect the pledge of Pledged Revenues provided in the Resolution, the County hereby agrees to be deposited in the Payment Account (as defined in the Resolution) (a) [on January 31, 2020, an amount equal to 60% of the principal amount of and interest on the Note at maturity from Pledged Revenues (as defined in the Resolution) received by the County in January, 2020; and (b) on May 31, 2020, an amount equal to 40% of the principal amount of and interest on the Note at maturity from Pledged Revenues received by the County in May, 2020] (and any amounts received thereafter provided for or attributable to Fiscal Year 2019-20), until the amount on deposit in the Payment Account is equal to the percentage of the principal and interest due on the Note. Any such deposit may take into consideration anticipated investment earnings on amounts deposited in an Investment Agreement that is a Permitted Investment through the maturity date of the Note.

7. <u>Conditions to Obligations of Underwriters at Closing</u>. The Underwriters have entered into this Contract of Purchase in reliance upon the representations and warranties of the County contained herein and the performance by the County of its obligations hereunder, as of the date hereof and as of the Closing. The obligation of the Underwriters to purchase the Note at the Closing is subject to the following further conditions, any or all of which can be waived by the Representative in writing:

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

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

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

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

(1) An approving opinion of Note Counsel as to the Note in the form attached to the Official Statement as APPENDIX C, addressed to the County, together with a reliance letter addressed to the Underwriters;

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

(i) the Contract of Purchase and the Paying Agent Agreement have been duly executed and delivered by the County and are valid and binding agreements of the County, except as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against counties in the State and except that no opinion need be expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability;

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

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

(3) The negative assurance letter, dated the date of the Closing and addressed to the County and the Underwriters, of Kutak Rock LLP, as Disclosure

Counsel to the County, to the effect that based upon their participation in the preparation of the Preliminary Official Statement and the Official Statement as Disclosure Counsel to the County and without having undertaken to determine independently the accuracy or completeness of the contents in the Official Statement, such counsel has no reason to believe that the Preliminary Official Statement, as of its date, and the Official Statement, as of its date and as of the Closing Date (except for information therein with respect to DTC or with respect to any financial, numerical or statistical data, or any estimates, assumptions and expressions of opinion, contained in the Preliminary Official Statement and the Official Statement, including any of the appendices thereto, as to which such counsel expresses no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein, in light of the circumstances under which they were made, not misleading in any material respect;

(4) An opinion of the County Counsel, addressed to the Underwriters, to the effect that:

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

(ii) The Resolution was duly adopted on May ___, 2019 at a meeting of the Board of Supervisors which was called and held pursuant to law, with all public notice required by law, and at which a quorum was present and acting throughout and the Resolution is in full force and effect and has not been amended, modified or rescinded;

(iii) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best of the County Counsel's knowledge, threatened against or affecting the County in which an unfavorable decision, ruling or finding would materially adversely affect (a) the amount of taxes, income, revenue, cash receipts and other moneys of the County available to pay the Note, (b) the participation of the County in, or consummation of, the transactions contemplated by the Official Statement, the Note, the Contract of Purchase or the Resolution, or (c) in any way contesting the existence of the County or its powers with respect thereto, nor, to the best of the County Counsel's knowledge, is there any basis for any such action, suit, proceeding or investigation;

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

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

(vi) Based upon examinations which we have made and our discussions in conferences with certain officials of the County and others with respect to the Official Statement and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement (including the Appendices attached thereto), nothing has come to our attention which would lead us to believe that the Official Statement (other than financial and statistical data therein and incorporated therein by reference and DTC and its book entry system, as to which no opinion need be expressed) contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

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

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

(v) Except as otherwise disclosed in the Official Statement, there is no action, suit or proceeding, inquiry or investigation before or by any State court, public board or body, other than as disclosed in the Official Statement pending or, to the best knowledge of the County, threatened against or affecting the County, (a) contesting in any way the completeness or accuracy of the Official Statement, or wherein an unfavorable decision, ruling or finding is likely to materially adversely affect (a) the amount of taxes, income, revenue, cash receipts and other moneys of the County available to pay the Note, (b) the transactions contemplated by the Documents, the Resolution or by the Official Statement, or (c) which will adversely affect the validity or enforceability of, or the authority or ability of the County to perform its obligations under the Note, the Documents, the Resolution, or any other agreement or instrument to which the County is a party and which is used or contemplated for use in consummation of the transactions contemplated by the Documents, the Resolution or the Official Statement;

(vi) The representations and warranties of the County herein are true and correct in all material respects as of the date made and as of the date of the Closing, and the County has performed all its obligations required under or specified in the Resolution and the Documents to be performed at or prior to the Closing; and

(vii) The Official Statement did not contain as of its date and does not contain as of the Closing Date any untrue statement of a material fact and did not omit as of its date and does not omit as of the Closing Date to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

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

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

(7) A certificate, dated the Closing Date, signed by a duly authorized official of the Paying Agent, to the effect that:

(i) The Paying Agent is a national banking association existing under the laws of the United States of America, and has full power and is qualified to accept and comply with the terms of the Paying Agent Agreement, the Investment Agreement and the Resolution, and to perform its obligations stated therein;

(ii) The Paying Agent is duly authorized to enter into the Paying Agent Agreement and the Investment Agreement and the Paying Agent has accepted the duties and obligations imposed on it by the Paying Agent Agreement, the Investment Agreement and the Resolution; and upon execution by the County, the Paying Agent Agreement and the Investment Agreement will constitute the valid and binding obligation of the Paying Agent;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Paying Agent that has not been obtained is or will be required for the consummation by the Paying Agent of the transactions contemplated by the Paying Agent Agreement and the Investment Agreement and by the Paying Agent of the transactions contemplated by the Resolution to be undertaken by the Paying Agent;

(iv) The execution and delivery by the Paying Agent of the Paying Agent Agreement and the Investment Agreement, and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Paying Agent is a party or by which it is bound, or, to the best knowledge of the Paying Agent, any law, rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Paying Agent; and

(v) To the knowledge of the Paying Agent, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of the Paying Agent, threatened against, the Paying Agent, affecting the existence of the Paying Agent or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Paying Agent Agreement or the Investment Agreement against the Paying Agent, or contesting the power of the Paying Agent or its authority to enter into, adopt or perform its obligations under the Paying Agent Agreement or the Investment Agreement, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Paying Agent Agreement or the Investment Agreement against the Paying Agent.

(8) A certified copy of the general resolution of the Paying Agent authorizing the execution and delivery of the Paying Agent Agreement;

(9) An non-arbitrage certification from the County in form and substance satisfactory to Note Counsel, signed by an official of the County;

(10) Evidence from S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Fitch, Inc. ("Fitch") that the Note has been rated ["SP-1+" and "F1+,"] respectively, and that such ratings continue in effect as of the Closing;

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

(12) An opinion, dated the Closing Date, addressed to the Underwriters, of Nixon Peabody LLP, counsel to the Underwriters, in such form as may be acceptable to the Underwriters; and

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

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

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

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

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

(iii) an order, decree or injunction of any court of competent jurisdiction, or any order, ruling or regulation of the Securities and Exchange Commission, is issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Note as contemplated hereby or legislation has been enacted, or a bill favorably reported for adoption, or a decision by any court rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter has been made or issued, to the effect that the Note or any other securities of the County or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act and as then in effect, or of the Trust Indenture Act of 1939, as amended and as then in effect; or

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

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

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

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

(viii) a downgrading or suspension of any rating (without regard to credit enhancement) by Moody's Investors Service ("Moody's"), S&P, or Fitch of any debt securities issued by the County, or (ii) there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's, S&P or Fitch of any debt securities issued by the County, including the Note; or

(ix) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the County, its property, income, securities (or interest thereon), the validity or enforceability of the Note; or

(x) any materially adverse change in the financial condition of the County.

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

10. Expenses. (a) The Underwriters shall be under no obligation to pay, and the County shall pay from its available funds or from the proceeds of the Note, the following expenses: (i) all expenses in connection with the preparation, distribution and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto; (ii) all expenses in connection with the printing, issuance and delivery of the Note; (iii) the fees and disbursements of Note Counsel and Disclosure Counsel; (iv) the fees and disbursements of counsel and consultants, including the County's financial advisor, in connection with the Note; (v) the disbursements of the County in connection with the Note; (vi) the fees and disbursements of the Paying Agent; (vii) any and all fees incurred in connection with obtaining a rating on the Note or in obtaining any form of credit enhancement; and (viii) all expenses in connection with the preparation, execution and delivery of the Resolution and the Note. The County will also pay (or cause to be paid) expenses (included in the expense component of the spread) incurred on behalf of the County's employees (including, but not limited to, meals, transportation, lodging and entertainment), which are incidental to implementing this Contract of Purchase. The Underwriters are required to pay the fees of the California Debt and Investment Advisory Commission ("CDIAC") in connection with the offering of the Note. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the County agrees to reimburse the Underwriters for such CDIAC fees.

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

The County shall be under no obligation to pay, and the Underwriters shall pay: (i) the cost of producing this Contract of Purchase; (ii) any advertising expenses in connection with the public offering of the Note; (iii) MSRB fees; and (iv) all other expenses incurred by them or any of them in connection with their public offering and distribution of the Note, including the fees and disbursements of counsel retained by them, and the fees, if any, for CUSIP numbers.

11. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) shall be given by telephone or telex, confirmed in writing, or by delivering the same in writing, if to the County, to the address first written above, attention: County Executive Officer, or if to the Underwriters: BofA Securities, Inc., 333 South Hope Street, Suite 3820, Los Angeles, California 90071, Attention: Frank Lauterbur.

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

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

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

Very truly yours,

**BOFA SECURITIES, INC.**, as representative of the Underwriters

By________________________________________
Authorized Signatory

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

**COUNTY OF RIVERSIDE**

By________________________________
George A. Johnson
County Executive Officer

Time of Execution:__________

## EXHIBIT A

## ISSUE PRICE CERTIFICATE OF THE UNDERWRITERS

**$__________**
**COUNTY OF RIVERSIDE**
**2019 TAX AND REVENUE**
**ANTICIPATION NOTE**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of BofA Securities, Inc. (the "Representative"), on behalf of itself and UBS Financial Services (together, the "Underwriting Group"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned tax and revenue anticipation note (the "Note").

1. ***Sale of the Note***. As of the date of this certificate, the first price at which at least 10% of the Note was sold to the Public is the price listed in Schedule A.

2. ***Defined Terms***.

(a) *Issuer* means the County of Riverside.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Note to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Note to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Note to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Note, and by Orrick, Herrington & Sutcliffe LLP, Note Counsel, in connection with rendering its opinion that the interest on the Note is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Note. The representations set forth herein are not necessarily based on personal knowledge and, in certain cases, the undersigned is relying on representations made by other members of the Underwriting Group.

BOFA SECURITIES, INC., as Representative

By:____________________________________

Name:__________________________________

Dated: __________, 2019

## SCHEDULE A

## SALE PRICE OF THE NOTE

(*Attached*)

# APPENDIX A

# INFORMATION REGARDING THE COUNTY OF RIVERSIDE

## GENERAL INFORMATION

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

## DEMOGRAPHIC AND ECONOMIC INFORMATION

### Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,440,124 as of January 1, 2019, representing an approximately 1.14% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.47% for the same period. For the ten year period of January 1, 2009 to January 1, 2019, the County's population grew by approximately 14.00%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.37% of the County as of January 1, 2019.

*[Remainder of Page Intentionally Left Blank.]*

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

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

| *City* | *2015* | *2016* | *2017* | *2018* | *2019* |
|---|---|---|---|---|---|
| Banning | 30,746 | 30,967 | 31,170 | 30,950 | 31,044 |
| Beaumont | 43,906 | 45,617 | 46,730 | 46,545 | 48,401 |
| Blythe | 18,522 | 19,008 | 19,027 | 19,651 | 19,428 |
| Calimesa | 8,114 | 8,212 | 8,567 | 9,080 | 9,159 |
| Canyon Lake | 10,673 | 10,728 | 10,882 | 11,213 | 11,285 |
| Cathedral City | 53,390 | 53,842 | 54,296 | 54,466 | 54,907 |
| Coachella | 44,486 | 44,940 | 45,273 | 45,777 | 46,351 |
| Corona | 162,396 | 163,341 | 166,819 | 167,013 | 168,101 |
| Desert Hot Springs | 28,900 | 29,252 | 29,347 | 29,102 | 29,251 |
| Eastvale | 59,930 | 62,147 | 63,720 | 65,725 | 66,078 |
| Hemet | 80,439 | 80,997 | 82,417 | 84,423 | 84,754 |
| Indian Wells | 5,407 | 5,512 | 5,549 | 5,389 | 5,445 |
| Indio | 84,009 | 85,233 | 86,632 | 88,194 | 89,406 |
| Jurupa Valley | 99,742 | 101,412 | 103,661 | 104,661 | 106,318 |
| Lake Elsinore | 59,404 | 61,422 | 62,487 | 62,241 | 62,949 |
| La Quinta | 39,323 | 39,899 | 40,605 | 41,753 | 42,098 |
| Menifee | 85,801 | 87,608 | 89,552 | 90,775 | 93,452 |
| Moreno Valley | 201,387 | 202,621 | 204,285 | 206,046 | 208,297 |
| Murrieta | 109,408 | 110,166 | 111,793 | 116,970 | 118,125 |
| Norco | 26,198 | 26,727 | 26,799 | 26,464 | 26,386 |
| Palm Desert | 50,683 | 51,250 | 52,058 | 53,298 | 53,625 |
| Palm Springs | 46,099 | 46,534 | 47,157 | 48,390 | 48,733 |
| Perris | 74,866 | 76,070 | 77,311 | 76,260 | 76,971 |
| Rancho Mirage | 18,201 | 18,369 | 18,579 | 18,297 | 18,489 |
| Riverside | 317,890 | 320,226 | 323,190 | 326,270 | 328,101 |
| San Jacinto | 46,462 | 47,085 | 47,560 | 47,607 | 48,878 |
| Temecula | 109,144 | 110,536 | 112,040 | 113,248 | 113,826 |
| Wildomar | 34,751 | 35,270 | 35,882 | 35,635 | 36,066 |
| TOTALS | | | | | |
| Incorporated | 1,950,277 | 1,974,991 | 2,003,388 | 2,025,443 | 2,045,924 |
| Unincorporated | 367,618 | 371,726 | 379,252 | 387,093 | 394,200 |
| County-Wide | 2,317,895 | 2,346,717 | 2,382,640 | 2,412,536 | 2,440,124 |
| California | 38,912,464 | 39,179,627 | 39,500,973 | 39,740,508 | 39,927,315 |

Source: State Department of Finance, Demographic Research Unit.

**Effective Buying Income**

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

The following table summarizes the total effective buying income for the County and the State for the period 2015 through 2019:

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

| | *Total Effective Buying Income[(2)]* | *Median Household Effective Buying Income* | *Percent of Households with Income over $50,000* |
|---|---|---|---|
| **2015** | | | |
| Riverside County | $ 41,199,300 | $45,576 | 44.79% |
| California | 901,189,699 | 50,072 | 50.05 |
| **2016** | | | |
| Riverside County | $ 45,407,058 | $48,674 | 48.50% |
| California | 981,231,666 | 53,589 | 52.74 |
| **2017** | | | |
| Riverside County | $ 47,509,909 | $50,287 | 50.23% |
| California | 1,036,142,723 | 55,681 | 54.27 |
| **2018** | | | |
| Riverside County | $ 51,784,973 | $53,505 | 53.29% |
| California | 1,113,648,181 | 58,858 | 57.15 |
| **2019** | | | |
| Riverside County | $ 54,118,453 | $54,920 | 54.41% |
| California | 1,183,264,399 | 61,895 | 59.16 |

(1) Estimated, as of January 1 of each year.
(2) Dollars in thousands.
Source: The Nielsen Company, Site Reports, 2015-2018; Environics Analytics, Spotlight Claritas Reports 2019.

## Industry And Employment

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

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

| *Industry* | *2014* | *2015* | *2016* | *2017* | *2018* |
|---|---|---|---|---|---|
| Agriculture | 14.4 | 14.8 | 14.6 | 14.4 | 14.5 |
| Construction | 77.6 | 85.7 | 92.0 | 97.0 | 104.8 |
| Finance Activities | 42.9 | 43.9 | 44.6 | 44.5 | 43.7 |
| Government | 228.8 | 233.3 | 242.3 | 250.0 | 2 |
| Manufacturing: | 91.3 | 96.1 | 98.6 | 98.7 | 101.3 |
| Nondurables | 31.1 | 33.0 | 34.2 | 34.8 | 36.2 |
| Durables | 60.2 | 63.1 | 64.4 | 63.9 | 65.1 |
| Mining & Logging | 1.3 | 1.3 | 0.9 | 0.9 | 1.0 |
| Retail Trade | 169.4 | 174.3 | 178.0 | 182.1 | 180.8 |
| Professional and Business Services | 138.7 | 147.4 | 145.0 | 147.2 | 150.6 |
| Education and Health Services | 194.8 | 205.1 | 214.3 | 224.8 | 240.0 |
| Leisure & Hospitality | 144.8 | 151.7 | 160.2 | 165.7 | 170.0 |
| Other Services | 43.0 | 44.0 | 44.6 | 45.6 | 45.6 |
| Transportation, Warehousing and Utilities | 86.6 | 97.4 | 107.3 | 120.2 | 132.6 |
| Wholesale Trade | 58.9 | 61.6 | 62.8 | 63.7 | 64.9 |
| Information | 11.3 | 11.4 | 11.5 | 11.3 | 11.2 |
| Total, All Industries | 1,303.7 | 1,367.9 | 1,416.6 | 1,466.0 | 1,518.7 |

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

Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers in the County as of June 30, 2018 and their respective product or service and number of employees as of June 30, 2018.

**COUNTY OF RIVERSIDE**
**CERTAIN MAJOR EMPLOYERS[1]**
**(AS OF JUNE 30, 2018)**

| *Company Name* | *Product/Service* | *No. of Local Employees* |
|---|---|---|
| County of Riverside | County Government | 22,038 |
| March Air Reserve Base | Military Reserve Base | 9,000 |
| University of California, Riverside | Public University | 8,829 |
| Kaiser Permanente Riverside Medical Center | Hospital | 5,500 |
| Corona-Norco Unified School District | School District | 5,478 |
| Pechanga Resort and Casino | Resort Casino | 4,750 |
| Riverside Unified School District | School District | 4,200 |
| Hemet Unified School District | School District | 4,058 |
| Riverside University Health Care Systems – Medical Center | Medical Center | 3,965 |
| Morongo Casino, Resort & Spa | Resort Casino | 3,800 |

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

Unemployment data for the County, the State and the United States for the years 2014 through 2018 and partial data for 2019 (as indicated) are set forth in the following table.

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

| | *2014* | *2015* | *2016* | *2017* | *2018* | *2019[2]* |
|---|---|---|---|---|---|---|
| County[1] | 8.2% | 6.7% | 6.1% | 5.2% | 4.4% | 4.7% |
| California[1] | 7.5 | 6.2 | 5.5 | 4.8 | 4.2 | 4.6 |
| United States[3] | 6.2 | 5.3 | 4.9 | 4.4 | 3.9 | 3.8 |

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) Unemployment rate information is for March 2019.
(3) Data is seasonally adjusted.
Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

## Commercial Activity

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

The following tables sets forth taxable sales transactions in the County for the years 2013 through 2017, the last year being the most recent full year of which annual data is currently available. Industry level data for 2015 through 2017 is not comparable to that of prior years due to the change in format of reporting the data.

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

| | *2013* | *2014* |
|---|---|---|
| Motor Vehicles and Parts Dealers | $ 3,965,201 | $ 4,417,943 |
| Furniture and Home Furnishings | 486,061 | 520,393 |
| Electronics and Appliances Stores | 510,423 | 510,061 |
| Building Materials, Garden Equipment and Supplies | 1,535,178 | 1,706,183 |
| Food and Beverage Stores | 1,421,590 | 1,509,403 |
| Health and Personal Care Stores | 523,724 | 544,958 |
| Gasoline Stations | 3,456,322 | 3,426,830 |
| Clothing and Clothing Accessories Stores | 1,771,603 | 1,989,623 |
| Sporting Goods, Hobby, Book and Music Stores | 499,366 | 519,188 |
| General Merchandise Stores | 3,298,920 | 3,289,057 |
| Miscellaneous Store Retailers | 758,664 | 809,032 |
| Nonstore Retailers | 243,334 | 309,809 |
| Food Services and Drinking Places | 2,836,388 | 3,093,862 |
| Total Retail and Food Services | $ 21,306,774 | $ 22,646,343 |
| All Other Outlets | 8,758,693 | 9,389,345 |
| Total All Outlets | $ 30,065,467 | $ 32,035,687 |

| | *2015* | *2016* | *2017* |
|---|---|---|---|
| Motor Vehicles and Parts Dealers | $ 4,841,615 | $ 5,047,534 | $ 5,348,814 |
| Home Furnishings and Appliance Stores | 1,135,235 | 1,386,985 | 1,730,702 |
| Building Materials, Garden Equipment and Supplies Dealers | 1,826,294 | 1,965,101 | 2,161,593 |
| Food and Beverage Stores | 1,727,518 | 1,574,030 | 1,666,910 |
| Gasoline Stations | 2,851,558 | 2,704,278 | 2,933,718 |
| Clothing and Clothing Accessories Stores | 2,136,728 | 2,190,228 | 2,199,512 |
| General Merchandise Stores | 3,040,244 | 3,052,409 | 3,101,256 |
| Food Services and Drinking Places | 3,384,494 | 3,648,980 | 3,852,674 |
| Other Retail Group | 2,338,039 | 2,452,591 | 2,586,771 |
| Total Retail and Food Services | $ 23,281,724 | $ 24,022,136 | $ 25,581,948 |
| All Other Outlets | 9,629,186 | 10,209,008 | 10,550,866 |
| Total All Outlets | $ 32,910,910 | $ 34,231,144 | $ 36,132,814 |

Source: California Department of Tax and Fee Administration.

**Building and Real Estate Activity**

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2014 through 2018.

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

| | *2014* | *2015* | *2016* | *2017* | *2018*[(3)] |
|---|---|---|---|---|---|
| RESIDENTIAL | | | | | |
| New Single-Family | $ 1,296,553 | $ 1,313,084 | $ 1,526,768 | $ 1,670,542 | $ 2,180,051 |
| New Multi-Family | 178,117 | 110,458 | 106,292 | 109,309 | 211,165 |
| Alterations and Adjustments | 147,081 | 113,200 | 126,475 | 123,567 | 125,200 |
| Total Residential | $ 1,621,751 | $ 1,536,742 | $ 1,759,535 | $ 1,903,418 | $ 2,516,416 |
| NON-RESIDENTIAL | | | | | |
| New Commercial[(1)] | $ 184,138 | $ 189,994 | $ 540,447 | $ 522,769 | $ 703,588 |
| New Industrial | 161,321 | 180,521 | 59,439 | 410,275 | 527,526 |
| Other Buildings[(2)] | 142,204 | 226,346 | 374,917 | 136,935 | 409,425 |
| Alterations & Additions | 327,327 | 314,604 | 371,216 | 363,711 | 316,264 |
| Total Nonresidential | $ 814,990 | $ 911,465 | $ 1,346,020 | $ 1,433,690 | $ 1,956,803 |
| TOTAL ALL BUILDING | $ 2,436,741 | $ 2,448,207 | $ 3,105,554 | $ 3,337,108 | $ 4,473,219 |

(1) Includes office buildings, stores & other mercantile, hotels & motels, amusement & recreation, parking garages and service stations & repair.
(2) Includes churches and religious buildings, medical and institutional buildings, agricultural and storage buildings, hospitals and institutional buildings, public works and utility buildings, schools and educational buildings, structures other than buildings, and residential garages.
(3) 2018 numbers are preliminary and subject to adjustment.
Source: California Homebuilding Foundation.

**COUNTY OF RIVERSIDE**
**NUMBER OF NEW DWELLING UNITS**

| | *2014* | *2015* | *2016* | *2017* | *2018*[(1)] |
|---|---|---|---|---|---|
| Single Family | 5,007 | 5,007 | 5,662 | 6,265 | 7,457 |
| Multi-Family | 1,931 | 1,189 | 897 | 1,070 | 1,476 |
| TOTAL | 6,938 | 6,196 | 6,559 | 7,335 | 8,933 |

(1) 2018 numbers are preliminary and subject to adjustment.
Source: California Homebuilding Foundation.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2014 through 2018.

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

| *Year* | *Los Angeles* | *Riverside* | *San Bernardino* | *Southern California*[1] |
|---|---|---|---|---|
| 2014 | $455,000 | $293,000 | $240,000 | $410,000 |
| 2015 | 487,500 | 310,000 | 262,000 | 431,000 |
| 2016 | 520,000 | 332,000 | 284,000 | 457,500 |
| 2017 | 560,000 | 356,000 | 310,000 | 491,000 |
| 2018 | 596,000 | 380,000 | 330,000 | 524,000 |

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

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2014 through 2018.

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

| *Year* | *Los Angeles* | *Riverside* | *San Bernardino* | *Southern California*[1] |
|---|---|---|---|---|
| 2014 | 4,566 | 2,912 | 2,984 | 13,787 |
| 2015 | 3,970 | 2,463 | 2,616 | 11,959 |
| 2016 | 3,191 | 2,045 | 1,954 | 9,354 |
| 2017 | 2,316 | 1,453 | 1,641 | 6,968 |
| 2018 | 1,552 | 1,233 | 1,183 | 5,182 |

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

## Agriculture

In 2017, principal agricultural products were nursery stock, milk, table grapes, lemons, bell peppers, hay, eggs, dates, avocados and carrots.

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

The County, and all of Southern California, experienced a severe drought between 2011 and 2015. See "—Environmental Control Services" below. The County cannot predict the impact that a future prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2013 through 2017.

**COUNTY OF RIVERSIDE**
**VALUE OF AGRICULTURAL PRODUCTION**

| | *2013* | *2014* | *2015* | *2016* | *2017* |
|---|---|---|---|---|---|
| Citrus Fruits | $ 142,404,000 | $ 170,891,000 | $ 199,772,000 | $ 200,101,000 | $ 177,055,000 |
| Trees and Vines | 232,536,000 | 223,593,000 | 234,928,000 | 227,444,000 | 228,315,000 |
| Vegetables, Melons, Misc. | 340,407,000 | 337,404,000 | 327,199,000 | 365,157,000 | 331,986,000 |
| Field and Seed Crops | 154,582,000 | 156,575,000 | 122,794,000 | 97,184,000 | 96,063,000 |
| Nursery | 191,215,000 | 172,910,000 | 158,648,000 | 150,426,000 | 153,749,000 |
| Apiculture | 4,715,000 | 4,819,000 | 4,897,000 | 5,082,000 | 5,415,000 |
| Aquaculture | 2,262,000 | 5,078,000 | 5,397,000 | 4,624,000 | 4,764,000 |
| Livestock and Poultry | 259,683,000 | 290,746,000 | 260,015,000 | 225,758,000 | 221,175,000 |
| Grand Total | $ 1,327,804,000 | $ 1,362,016,000 | $ 1,313,650,000 | $ 1,275,776,000 | $ 1,218,522,000 |

Source: Riverside County Agricultural Commissioner.

## Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest from Riverside through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange opened in March 2017. When travelling along State Route 91 through Corona, vehicles are able to use either the tolled express lanes or the free general purpose lanes.

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

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

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Ontario International Airport Authority and was transferred by the City of Los Angeles to the joint powers authority in October 2016. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

**Education**

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

There are nine two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley, Palo Verde Valley, Banning and Temecula. There are also three universities located in the City of Riverside – the University of California, Riverside ("UCR"), La Sierra University and California Baptist University. The City of Palm Desert also has a UCR campus and California State University, San Bernardino campus.

**Environmental Control Services**

**[PLEASE REVIEW AND UPDATE]**

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

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

The governor and the State Legislature have been continuously engaged in discussions on potential strategies to help mitigate the effects of the State's susceptibility to periodic, potentially prolonged and/or severe drought conditions. On April 1, 2015, California's governor issued the fourth in a series of executive orders extending the measures necessary to address California's severe drought conditions which occurred between 2011 and 2015. On May 9, 2016, as a result of persistent severe drought conditions in many areas of California, the governor issued an additional executive order that, among other things, made permanent many of the conservation measures set in the governor's previous executive orders. On April 7, 2017, as a result of the record rainfall and snowfall that occurred in the State between November 2016 and March 2017, the governor declared an end to the drought emergency in California (except with respect to four counties mostly located in California's agricultural Central Valley). However, this same executive order directed the State Water Resources Control Board to initiate the rulemaking process to ensure that many key conservation measures established by the governor's 2016 executive order will remain in place. Such conservation measures prohibit wasteful practices such as: (i) hosing off sidewalks, driveways and other hardscapes, (ii) washing automobiles with hoses not equipped with a shut-off nozzle, (iii) using non-recirculated water in a fountain or other decorative water feature, (iv) watering lawns in a manner that causes runoff, or within forty-eight hours of measurable precipitation, and (v) irrigating ornamental turf on public street medians.

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.

**[PLEASE REVIEW AND UPDATE 5 YEAR FORECAST]**

***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 2018-19 budget, adopted by the Board of Supervisors on June 26, 2018 (the "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 2019, and reducing 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.

## Fiscal Year 2018-19 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. In July 2018, the Assessor-County Clerk-Recorder released the 2018-19 assessment report. The report predicts an increase in assessed valuation of 6.26% for 2018-19.

***Third-Quarter Budget Report.*** On May 7, 2019, the County Executive Officer released the Fiscal Year 2018-19 Third Quarter Budget Report (the "Third Quarter Budget Report"). The County's projected discretionary revenue estimates increased from the Adopted Budget by approximately $20.4 million (from $799.8. million to $820.2 million), primarily due to an increase in interest earnings, growth in property taxes as well as an increase in sales and use taxes. While the discretionary revenue has increased, so have the needs from the County's departments and agencies. In the Third Quarter Budget Report, the County is projecting that it will close Fiscal Year 2018-19 with a $22 million operating shortfall, requiring a draw upon the County's reserves (which will leave reserves of $212 million, just above the 25% of discretionary revenue required by policy of the Board of Supervisors). Despite savings within certain departmental budgets, the Third Quarter Budget Report provides that the unexpected increase in the County-funded General Assistance program, combined with operating losses of the County's health clinics and County departments' budget requests outpace any costs saving measures and increased revenues. The Third Quarter Budget Report provides that the County-funded General Assistance program, which was originally budgeted at $2.2 million, is projected to costs approximately $14.4 million in Fiscal Year 2018-19, and is expected to grow even more in Fiscal Year 2019-20. Not all departmental requests are met by the Third Quarter Budget Report, and the County anticipates that some level of reductions will be needed in the County's Fiscal Year 2019-20 Recommended Budget. The County's pension obligations continue to grow, and by Fiscal Year 2020-21, the County expects that pension costs will supplant the funding for critically-needed positions.

As reported in the Third Quarter Budget Report, Riverside University Health System ("RUHS") Medical Center is on target and projects to end Fiscal Year 2018-19 with a net operating income of approximately $3.0 million, which is dependent on the State's new Quality Incentive Program revenue (which has been earned, but may not be received until after the end of Fiscal Year 2018-19). The RUHS Federally Qualified Health Center projects to end Fiscal Year 2018-19 with an approximate net operating loss of $16.0 million, due to decade-old reimbursement rates (which are reset under limited circumstances) and rising labor, pension and operating costs that threaten financial viability. The County reports that actions are underway to reset rates in order to increase revenues. As reported by the Third Quarter Budget Report the County Sherriff's Department is projecting to end Fiscal Year 2018-19 with a surplus of $6.3 million (which is lower than the $10 million projected in the County's mid-year budget report, as a result of unplanned payouts of $3.2 million). Detention Behavioral Health projects $6.6 million in savings in Fiscal Year 2018-19, primarily due to continue challenges in filling necessary positions.

## Fiscal Year 2019-20 Recommended Budget

The County expects to present its recommended budget for Fiscal Year 2019-20 to the Board of Supervisors on or about June 10, 2019, at which time budget hearings will commence. The County currently expects that an adopted budget reflecting any revisions to the recommended budget will be approved by the Board of Supervisors on or about June 25, 2019.

**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. When the State decided to unwind the In-Home Supportive Services contracts in Fiscal Year 2016-17 and return the program to local control, the initial estimate of the cost to the County was $40 million. Various counties collectively asked for funding for this change and as a result, they were given a two-year reprieve from paying for this program. At this time, the counties are expected to pick up the costs in Fiscal Year 2019-20. The County is continuing its best efforts to mitigate these costs.

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 $72.9 million appropriation from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2018-19, the County received an appropriation of $[77.1] million from the State to address the needs of the realigned criminal justice population. In Fiscal Year 2019-20, 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[3]* |
|---|---|---|---|---|---|
| REQUIREMENTS | | | | | |
| General Government | $178.0 | $216.1 | $209.1 | $ 220.4 | $171.9 |
| Public Protection | 1,190.6 | 1,276.2 | 1,345.7 | 1,379.1 | 1,445.6 |
| 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 | 14.9 |
| 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 | $3,325.4 |
| AVAILABLE FUNDS | | | | | |
| Use of Fund Balance and Reserves | $48.5 | $76.8 | $67.7 | $84.9 | $0.0 |
| Estimated Revenues: | | | | | |
| Property Taxes | 256.6 | 280.2 | 300.9 | 303.0 | 313.4 |
| Other Taxes | 27.0 | 25.0 | 24.0 | 21.0 | 3.4 |
| 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 | 60.1 |
| 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 | 152.7 |
| Total Available Funds[2] | $2,783.7 | $3,100.8 | $3,119.8 | $3,228.4 | $3,325.4 |

(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.
(3) Includes amounts set forth in the Fiscal Year 2018-19 Budget, as adjusted in [November 2018 – **UPDATES**?].
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 April 30, 2019, the portfolio assets comprising the PIF had a market value of $8,177,376,431.91.

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, 2018, 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 80.62% of the funds on deposit in the County Treasury, while approximately 19.38% 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 2018 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 April 30, 2019 were as follows (numbers may not add up due to rounding of individual components):

| | ***Balance*** | ***% of Pool*** |
|---|---|---|
| U.S. Treasury Securities | $728,164,751.84 | 8.91% |
| Federal Agency Securities | 4,451,828,521.50 | 54.50 |
| Cash Equivalent & Money Market Funds | 520,023,976.03 | 6.37 |
| Commercial Paper | 1,561,237,550.91 | 19.11 |
| NCD | 330,000,000.00 | 4.04 |
| Medium Term Notes | 298,780,012.34 | 3.66 |
| Municipal Notes | 278,043,987.30 | 3.40 |
| Certificates of Deposits | – | – |
| Repurchase Agreements | – | – |
| Local Agency Obligations[1] | 120,000.00 | 0.001 |
| Total Book Value | $8,168,198,799.92 | 100.00% |
| | | |
| Book Yield: | | 2.36% |
| Weighted Average Maturity: | | 1.086 Years |

[1] Represents County obligations issued by Riverside District Court Financing Corporation.
Source: County Treasurer-Tax Collector.

As of April 30, 2019, the market value of the PIF was 100.00% 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 2007-08 through Fiscal Year 2018-19.

### COUNTY OF RIVERSIDE
### *AD VALOREM* PROPERTY TAXES - LEVIES AND COLLECTIONS
### FISCAL YEARS 2007-08 THROUGH 2018-19
### 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)] |
|---|---|---|---|---|---|
| 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 |
| 2018-19 | 3,762,000,301 | N/A | N/A | 1,991,290,838[(4)] | 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, school 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.

(4) As of March 14, 2019.

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] |
|---|---|---|---|
| 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 | 94,972,016[3] | 97.84[3] |

(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, school districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(3) From July 2018 to October 2018.
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 2018-19:

**COUNTY OF RIVERSIDE**
**SUMMARY OF SUPPLEMENTAL ROLL**
***AD VALOREM* PROPERTY TAXATION**
**FISCAL YEARS 2007-08 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) |
|---|---|---|---|---|
| 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 | 38,864,690(6) | 2,370,413(6) | 36,494,277(6) | 37,027,196(7) |

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.
(3) Tax levy amounts are shown net of minimum tax less than $10 and refunds are shown net of refunds of negative supplemental taxes less than $10.
(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.
(6) From July 2018 to September 2018.
(7) From July 2018 to February 2019.
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%. Assessed valuation in the County is expected to increase by approximately 4.5% in Fiscal Year 2019-20 as compared to Fiscal Year 2018-19.

***Property Tax Appeals***. The County has received assessment appeals applicable to Fiscal Year 2018-19 totaling approximately $11.5 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 $85 million of assessed value was reduced from the County tax roll in Fiscal Year 2016-17 and Fiscal Year 2017-18 due to appeals, representing $850,000 in general purpose taxes over the two-fiscal year period. Approximately 6.6% of the Fiscal Year 2018-19 assessment appeals have been completed. The majority of the remaining Fiscal Year 2018-19 assessment appeals are expected to be completed by November 2020.

**Teeter Plan**

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

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan (the "Revenue Districts") on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the then-current year's secured roll levy. Supplemental taxes are currently excluded from the Teeter Plan.

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

Taxing entities that are required to maintain funds in the County Treasury are all included in the Teeter Plan. These include all K-12 school districts, community college districts and certain special districts. Other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2017-18, taxing agencies representing approximately 56.34% of the secured roll participated in the Teeter Plan. In Fiscal Year 2018-19, taxing agencies representing approximately [____]% of the secured roll participated in the Teeter Plan.

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

Since 1997, the County has issued taxable and tax exempt notes from time to time to finance the County's obligations to make distributions to the Revenue Districts pursuant to the Teeter Plan, and to refund certain obligations of the County related to such obligations. The County manages the program on a continuous basis by paying down the amount outstanding with collections of prior years' taxes, funding the current year's advance and rolling over any unpaid amounts.

From Fiscal Year 1997-98 through Fiscal Year 2006-07, the size of the Teeter Plan obligations fluctuated between approximately $24 million and $90 million, producing annual net revenue to the County's General Fund of approximately $14 million to $25 million. The Teeter Plan obligations grew to approximately $168.4 million in Fiscal Year 2007-08 and peaked at approximately $266.6 million in Fiscal Year 2008-09. For the last five fiscal years the annual Teeter revenues averaged approximately $25.6 million. As the amount of delinquent taxes receivable has declined, the annual revenue available to the General Fund has been reduced. For Fiscal Year 2017-18, the net Teeter revenue to the County's General Fund was approximately $21 million. The Teeter Plan obligations are approximately $74 million in Fiscal Year 2018-19. The following table sets forth the aggregate principal amount of the Teeter Plan obligations issued in fiscal years 2008-09 through 2018-19.

**COUNTY OF RIVERSIDE**
**TEETER PLAN OBLIGATIONS ISSUED**
**FISCAL YEARS 2008-09 THROUGH 2018-19**

| *Fiscal Year* | *Principal Amount* |
|---|---|
| 2008-09 | $266,629,000 |
| 2009-10 | 257,300,000 |
| 2010-11 | 206,805,000 |
| 2011-12 | 171,325,000 |
| 2012-13 | 142,840,000 |
| 2013-14 | 119,770,000 |
| 2014-15 | 100,175,000 |
| 2015-16 | 87,040,000 |
| 2016-17 | 81,765,000 |
| 2017-18 | 78,735,000 |
| 2018-19 | 74,190,000 |

Source: County of Riverside.

The County accounts for the Teeter Plan in its audited financial statements by listing the amount of its liabilities; including unpaid taxes with its other receivables; and including apportioned prior years' taxes on deposit with other restricted cash. The taxes receivable are listed in their principal amount without any penalties or accrued interest. See APPENDIX B – "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018 – Note 6 Receivables."

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

The first option for the County to meet the redemption requirements of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts is to have the PIF purchase the Teeter notes. Such Teeter notes have been purchased by the PIF in the past, beginning in 2001. Formal Board of Supervisors and County Treasurer approval would be required in order for the PIF to purchase Teeter notes if the notes are not rated or otherwise not qualified for purchase under the County's investment policy. See "– Riverside County Treasurer's Pooled Investment Fund."

The second option for the County to meet the redemption requirements of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts would be for the County to advance funds from the General Fund. Lawfully available moneys in the County's General Fund are available for the repayment of Teeter notes, and the continuation of the Teeter Program is beneficial to the County's over-all financial condition. Should additional cash be needed, the County may borrow lawfully available moneys in the County's General Fund to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts. Such General Fund borrowings to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts have been authorized by the Board of Supervisors, most recently in April 2007.

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

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## Largest Taxpayers

The following table shows the 25 largest property taxpayers by individual tax levied in the County for Fiscal Year 2018-19:

**COUNTY OF RIVERSIDE**
**TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2018-19**
**BY TAX LEVIED[(1)]**

| *Taxpayer* | *Total Taxes Levied* | *Percentage of Total Tax Charge* |
|---|---|---|
| Southern California Edison Company | $54,571,706.32 | 1.38% |
| Southern California Gas Company | 14,674,284.48 | 0.37 |
| Frontier California, Inc. | 8,268,397.56 | 0.21 |
| CPV Sentinel, LLC | 6,754,781.82 | 0.17 |
| Lennar Homes of California Inc. | 3,772,685.95 | 0.10 |
| Costco Wholesale Corporation | 3,655,085.30 | 0.09 |
| Riverside Healthcare System | 3,543,195.62 | 0.09 |
| Tyler Mall Limited Partnership | 3,530,892.44 | 0.09 |
| Chelsea GCA Realty Partnership | 3,443,780.12 | 0.09 |
| Walgreen Co. | 3,254,977.97 | 0.08 |
| Time Warner Cable Pacific West LLC | 3,199,819.56 | 0.08 |
| Ross Dress For Less Inc. | 3,176,711.62 | 0.08 |
| Garden of Champions | 3,174,037.70 | 0.08 |
| Target Corporation | 2,936,516.75 | 0.07 |
| Roripaugh Valley Restoration | 2,913,620.02 | 0.07 |
| Tarpon Prop Ownership 2 | 2,882,416.56 | 0.07 |
| Kaiser Foundation Health Plan Inc. | 2,749,857.32 | 0.07 |
| Castle & Cooke Corona Crossings | 2,726,228.56 | 0.07 |
| Lowe's HIW Inc. | 2,681,896.00 | 0.07 |
| Wal-Mart Real Estate Business Trust | 2,677,227.80 | 0.07 |
| Los Angeles SMSA Ltd. dba Verizon Wireless | 2,487,776.76 | 0.06 |
| Duke Realty Limited Partnership | 2,461,110.36 | 0.06 |
| Western Pacific Housing Inc. | 2,390,288.14 | 0.06 |
| Pardee Homes | 2,265,614.29 | 0.06 |
| Walmart Stores Inc. | 2,259,762.37 | 0.06 |
| **Total** | **$146,452,671.39** | **3.69%** |
| **Total Tax Charge for 2018-19** | **$3,964,218,042.50** | |

(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 2018-19 are shown below:

**COUNTY OF RIVERSIDE**
**TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2018-19**
**BY ASSESSED VALUE**

| *Assessee* | *Assessed Value* |
|---|---|
| Kaiser Foundation Hospitals | $404,850,181 |
| Eisenhower Memorial Hospital | 391,974,587 |
| California Baptist University | 339,199,186 |
| Riverside Healthcare System | 316,510,067 |
| Costco Wholesale Corp | 301,916,252 |
| Kaiser Foundation Health Plan Inc | 294,177,045 |
| Ross Dress For Less Inc | 287,996,906 |
| Walgreen Co | 280,547,368 |
| Time Warner Cable Pacific West LLC | 271,544,132 |
| Garden of Champions | 261,208,902 |
| Subtotal | $3,149,924,626 |
| All Others | $282,851,471,121 |
| Total | $286,001,395,747 (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 2008-09 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 where assessed value is less than frozen base value.

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 2019, the County is expected to receive approximately $[_____] in residual funds for Fiscal Year 2018-19.

In Fiscal Years 2015-16 and 2016-17, the County received approximately $97,337,412 and $102,159,372, respectively, in pass-through payments pursuant to agreements with various city redevelopment agencies. The County received approximately $107 million 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 2017-18 were audited by Brown Armstrong Accountancy Corporation. See APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The following table sets forth the County's Statement of Revenues, Expenditures and Change in Unreserved Funds Balances-General Fund for Fiscal Year 2013-14 through 2017-18.

**COUNTY OF RIVERSIDE**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND**
**FISCAL YEARS 2013-14 THROUGH 2017-18**
**(In Thousands)**

| | *2013-14* | *2014-15* | *2015-16* | *2016-17* | *2017-18* |
|---|---|---|---|---|---|
| BEGINNING FUND BALANCE | $ 357,249 | $ 364,676[1] | $ 395,389 | $ 371,510 | $ 348,231 |
| REVENUES | | | | | |
| Taxes | 256,746 | 267,708 | 279,945 | 292,674 | 303,836 |
| Licenses, permits and franchises | 16,588 | 17,829 | 19,100 | 18,400 | 19,142 |
| Fines, forfeiture sand penalties | 81,037 | 77,770 | 73,198 | 67,689 | 64,525 |
| Use of money and property–Interest | 4,629 | 4,372 | 6,728 | 7,893 | 16,727 |
| Use of money and property–Rents and concessions | 12,269 | 7,758 | 10,491 | 13,391 | 13,552 |
| Government Aid–State | 1,107,878 | 1,224,095 | 1,238,292 | 1,280,127 | 1,328,912 |
| Government Aid–Federal | 462,291 | 542,934 | 572,267 | 589,905 | 596,949 |
| Governmental Aid-Other | 83,169 | 94,217 | 97,888 | 104,043 | 110,656 |
| Charges for current services | 396,904 | 431,323 | 465,333 | 460,539 | 481,245 |
| Other revenues | 41,248 | 34,851 | 20,069 | 46,355 | 44,273 |
| TOTAL REVENUES | $2,462,759 | $2,702,857 | $2,783,311 | $2,881,016 | $2,979,817 |
| EXPENDITURES | | | | | |
| General government | $ 106,045 | $ 109,900 | $ 113,779 | $ 133,217 | $ 130,989 |
| Public protection | 1,116,621 | 1,189,466 | 1,256,765 | 1,317,038 | 1,328,734 |
| Public ways and facilities | - | 8 | - | - | - |
| Health and sanitation | 416,005 | 478,047 | 468,272 | 494,771 | 543,976 |
| Public assistance | 795,309 | 865,309 | 918,963 | 920,185 | 916,191 |
| Education | 586 | 590 | 669 | 643 | 628 |
| Recreation and cultural | 287 | 317 | 325 | 354 | 483 |
| Capital Outlay | 2,965 | 54,5292 | 11,829 | 64,2893 | 6,486 |
| Debt service | 15,475 | 12,877 | 20,755 | 12,558 | 17,357 |
| TOTAL EXPENDITURES | $2,453,293 | $2,711,043 | $2,791,357 | $2,943,055 | $2,944,844 |
| Excess (deficit) of revenues over (under) expenditures | 9,466 | (8,186) | (8,046) | (62,039) | 34,973 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer from other reserves | $ 95,017 | $ 87,924 | $ 114,185 | $ 113,509 | $ 108,979 |
| Transfer to other funds | (101,021) | (103,554) | (141,847) | (139,043) | (129,087) |
| Capital Leases | 2,965 | 54,529[2] | 11,829 | 64,289[3] | 6,486 |
| Total other Financing Sources (Uses) | $ (3,039) | $ 38,899 | $ (15,833) | $ 38,760 | $ (13,622) |
| NET CHANGE IN FUND BALANCES | $ 6,427 | $ 30,713 | $ (23,879) | $ (23,279) | $ 21,351 |
| FUND BALANCE, END OF YEAR[1] | $ 363,676 | $ 395,389 | $ 371,510 | $ 348,231 | $ 369,582 |

(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 2013-14 through 2017-18.

**COUNTY OF RIVERSIDE**
**GENERAL FUND BALANCE SHEETS**
**AT JUNE 30, 2014 THROUGH JUNE 30, 2018**
**(In Thousands)**

| | *2013-14* | *2014-15* | *2015-16* | *2016-17* | *2017-18* |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Cash & Marketable Securities | $129,305 | $133,487 | $135,255 | $ 94,866 | $123,884 |
| Taxes Receivable | 9,849 | 9,243 | 9,772 | 9,182 | 9,025 |
| Accounts Receivable | 11,281 | 10,846 | 14,674 | 13,865 | 12,484 |
| Interest Receivable | 650 | 785 | 2,002 | 2,295 | 6,560 |
| Advances to Other Funds | 5,842 | 7,442 | 7,369 | 7,369 | 4,869 |
| Due from Other Funds | 11,157 | 11,854 | 9,355 | 9,489 | 11,242 |
| Due from Other Governments | 333,728 | 317,901 | 345,183 | 363,548 | 380,479 |
| Inventories | 1,682 | 1,638 | 2,006 | 1,981 | 2,360 |
| Prepaid items | -- | -- | -- | -- | 781 |
| Restricted Assets | 350,158 | 358,985 | 332,543 | 365,394 | 395,407 |
| Total Assets | $853,652 | $852,181 | $858,159 | $ 867,989 | $947,091 |
| LIABILITIES: | | | | | |
| Accounts Payable | $ 61,288 | $ 24,756 | $ 28,234 | $ 29,801 | $ 38,969 |
| Salaries & Benefits Payable | 68,156 | 79,116 | 99,724 | 104,327 | 103,293 |
| Due To Other Funds | 248 | 2,172 | 3,247 | 865 | 1,551 |
| Due to Other Governments | 20,395 | 32,894 | 51,497 | 65,120 | 76,507 |
| Deferred Revenue | 65,929 | 48,535 | 50,155 | -- | – |
| Deposits Payable | 61 | 43 | 52 | 76 | 35 |
| Advances from other funds | 5,000 | -- | -- | -- | – |
| Advances from grantors and third parties | 268,899 | 269,276 | 253,740 | 268,007 | 305,318 |
| Total Liabilities | $489,976 | $456,792 | $486,649 | $468,196 | $525,673 |
| FUND BALANCE: | | | | | |
| Nonspendable | $ 2,045 | $ 2,001 | $ 2,369 | $ 2,314 | $ 3,470 |
| Restricted | 117,595 | 122,967 | 99,639 | 95,130 | 95,881 |
| Committed | 32,820 | 39,422 | 40,310 | 21,907 | 23,290 |
| Assigned | 7,772 | 5,144 | 11,870 | 10,989 | 12,464 |
| Unassigned | 203,444 | 225,855 | 217,322 | 217,891 | 234,477 |
| Fund Balance | $363,676 | $395,389 | $ 371,510 | $ 348,231 | $369,582 |
| Total Liabilities and Fund Balance | $853,652 | $852,181 | $ 858,159 | $ 867,989 | $947,091 |

Source: County Auditor-Controller.

The following table sets forth the County's General Fund balances as of June 30 for Fiscal Years 2008-09 through 2017-18 based on classification.

**COUNTY OF RIVERSIDE**
**GENERAL FUND BALANCES**
**AT JUNE 30, 2009 THROUGH JUNE 30, 2018**
**(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 |
| 2018 | 3,470 | 95,881 | 23,290 | 12,464 | 234,477 | 369,582 |

(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 taxes pledged to the payment of the 2018 Teeter Notes (defined below) 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.

The County currently expects to issue its 2019 Tax and Revenue Anticipation Note (the "2019 TRAN") in the not to exceed maximum principal amount of $340,000,000 in July 2019 to provide funds to meet the County's Fiscal Year 2019-20 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contibutions. The 2019 TRAN will be payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2019-20 Fiscal Year which are legally available for the payment thereof. See "THE NOTE—Purpose of Issue" in the front part of the Official Statement for additional information.

On October 24, 2018, the County issued its $74,190,000 2018 Series A Teeter Obligation Notes (Tax-Exempt) (the "2018 Teeter Notes") to refund the County's 2017 Series A Teeter Obligation Notes and to fund an advance of unpaid property taxes for Revenue Districts participating in the County's Teeter Plan. See "—Teeter Plan" above. The 2018 Teeter Notes are due on October 24, 2019. The 2018 Teeter Notes are payable from "Pledged Taxes," generally consisting of (i) the right to collect any uncollected property taxes due to the

County and other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2018 and such other fiscal years approved by the County under certain circumstances, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled under applicable law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan.

**Long-Term Obligations of County**

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 1, 2019, the County had $777,367,018 in direct General Fund obligations and $243,850,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt.

*[Remainder of Page Intentionally Left Blank.]*

The statement of direct and overlapping debt (the "Debt Report") set forth below was prepared by California Municipal Statistics, Inc., and is dated as of April 1, 2019. The Debt Report includes only such information as has been reported to California Municipal Statistics, Inc. by the issuers of the debt described therein and by others. The Debt Report is included for general information purposes only. The County has not independently verified its completeness or accuracy and makes no representations in connection therewith.

## COUNTY OF RIVERSIDE
## ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
## (AS OF APRIL 1, 2019)

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

| | % Applicable | Debt 4/1/19 |
|---|---|---|
| OVERLAPPING TAX AND ASSESSMENT DEBT: | | |
| Metropolitan Water District | 6.345% | $ 3,048,773 |
| Community College Districts | 1.212-100. | 748,314,844 |
| Unified School Districts | 1.220-100. | 3,007,884,082 |
| Perris Union High School District | 100. | 103,008,693 |
| Elementary School Districts | 100. | 136,817,197 |
| 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. | 3,019,604,096 |
| Riverside County 1915 Act Bonds | 100. | 1,130,000 |
| City and Special District 1915 Act Bonds (Estimated) | 100. | 170,154,709 |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | $7,353,817,394 |
| DIRECT AND OVERLAPPING GENERAL FUND DEBT: | | |
| **Riverside County General Fund Obligations** | **100. %** | **$777,367,018**(1) |
| **Riverside County Pension Obligations** | **100.** | **243,850,000** |
| School Districts General Fund and Lease Tax Obligations | 1.220-100. | 494,197,155 |
| City of Corona General Fund Obligations | 100. | 36,990,266 |
| City of Moreno Valley General Fund Obligations | 100. | 65,375,000 |
| City of Indio General Fund and Judgment Obligation Bonds | 100. | 52,680,000 |
| City of Palm Springs Certificates of Participation and Pension Obligation Bonds | 100. | 125,450,685 |
| City of Riverside Certificates of Participation | 100. | 185,780,713 |
| City of Riverside Pension Obligation Bonds | 100. | 80,105,000 |
| Other City General Fund Obligations | 100. | 82,445,889 |
| Other Special District Certificates of Participation | 100. | 9,888,481 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,154,130,207 |
| Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)** | | **2,560,015** |
| TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT | | $2,151,570,192 |
| OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): | | $2,236,892,154 |
| GROSS COMBINED TOTAL DEBT | | $11,744,839,755 |
| NET COMBINED TOTAL DEBT | (2) | $11,742,279,740 |

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

Ratios to 2018-19 Assessed Valuation:
Overlapping Tax and Assessment Debt ........................................2.57%
**Combined Gross Direct Debt ($1,021,217,018).............................0.36%**
**Combined Net Direct Debt ($1,018,657,003)................................0.36%**
Gross Combined Total Debt ..........................................................4.11%
Net Combined Total Debt...............................................................4.11%

Ratios to Successor Agency Redevelopment Incremental Valuation ($78,931,108,121):
Total Overlapping Tax Increment Debt ..........................................2.83%



4836-5275-3557.3

[TO BE CONFIRMED BY HAWKINS - The County expects that the Inland Empire Tobacco Securitization Authority will issue its Tobacco Settlement Asset-Backed Bonds (Inland Empire Tobacco Securitization Corporation) Series 2019 Turbo Current Interest Bonds (Federally Taxable) (the "Series 2019 Tobacco Bonds") in June 2019 to fund a loan to the Inland Empire Tobacco Securitization Corporation (the "Corporation"), a California nonprofit public benefit corporation, pursuant to a secured loan agreement (the "2019 Loan"). The Series 2019 Tobacco Bonds will be issued pursuant to an indenture and proceeds of the 2019 Loan from the Inland Empire Tobacco Securitization Authority will be used, in part, to repay a portion of an original loan made in order to refund and defease the Inland Empire Tobacco Securitization Authority's outstanding Tobacco Settlement Asset-Backed Bonds (Inland Empire Tobacco Securitization Corporation) Series 2007A and 2007B. In order to reduce the amount and the duration of the payment risks associated with the Series 2019 Tobacco Bonds, the County and the Corporation will enter into a support agreement (the "Support Agreement"). Pursuant to the Support Agreement, the County will covenant to include in its annual general fund budgets in the fiscal years of the County from Fiscal Year 2022-23 through and including Fiscal Year 2025-26, on an annual basis, subject to appropriation, an amount not to exceed $4,000,000 to be payable from any legally available source and to be applied to make payments under the Support Agreement, to pay the interest component of debt service on the Series 2019 Tobacco Bonds due and payable from June 1, 2023 through and including December 1, 2026, in the event the collateral is otherwise insufficient for such purpose. Failure by the County Board of Supervisors to appropriate funds in any fiscal year for payment of the Support Payments does not constitute an event of default under the Support Agreement or the Indenture and in such event the County will have no further obligation to pay the Support Payments for such fiscal year. The obligation of the County to make any such payments in any particular fiscal year under the Support Agreement will be absolutely subject in all respects to the Board of Supervisors having duly budgeted and appropriated funds sufficient to pay such payments in such Fiscal Year, and the County through its Board of Supervisors will have the right to determine in its sole and absolute discretion for any reason, not to budget and appropriate such funds.]

**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.

The table on the following page sets forth the County's outstanding publicly offered lease obligations and the respective annual lease requirements as of June 1, 2019. In addition, as discussed below under "— Facilities Lease Agreements," the County has other substantial lease obligations payable from the General Fund.

*[Remainder of Page Intentionally Left Blank.]*

## COUNTY OF RIVERSIDE
## SUMMARY OF PUBLICY OFFERED LEASE RENTAL OBLIGATIONS
## (PAYABLE FROM THE COUNTY'S GENERAL FUND — (AS OF JUNE 1, 2019))

| | *Final Maturity Year* | *Original Lease Amount* | *Outstanding Obligations* | *Annual Base Rental* |
|---|---|---|---|---|
| Riverside County Hospital Project, Leasehold Revenue Bonds: | | | | |
| 1997 Series A | 2026 | $41,170,073 | $ 29,123,111 | |
| 1997 Series C | 2019 | 3,265,000 | – | |
| 2012 Series A and B[1] | 2029 | 90,530,000 | 31,135,000 | $ 20,750,400 [1] |
| County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue) | 2020 | 8,800,000 | 1,500,000 | 803,500 [2] |
| County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding)[3] | 2021 | 24,680,000 | 9,290,000 | 2,546,200 |
| Riverside District Court Financing Corporation (United States District Court Project): | | | | |
| Series 1999 | 2020 | 24,835,000 | 1,657,100 | |
| Series 2002 | 2020 | 925,000 | 80,000 | 1,834,910 [4] |
| County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A[5] | 2032 | 78,895,000 | 65,245,000 | 6,485,771 |
| County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects)[6] | 2039 | 45,685,000 | 32,680,000 | 13,780,762 |
| County of Riverside Monroe Park Building 2011 Lease Financing | 2020 | 5,535,000 | 980,000 | 679,028 |
| County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[7] | 2031 | 33,360,000 | 24,460,000 | 2,503,000 |
| County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[8] | 2033 | 17,640,000 | 12,355,000 | 1,385,625 |
| County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg. and Riverside County Technology Solution Center Projects) | 2043 | 66,015,000 | 60,470,000 | 4,269,363 |
| County of Riverside Lease Revenue Bonds (Courts Facilities Project), Series 2014 A & 2014 B (Taxable) [9] | 2033 | 18,495,000 | 9,110,000 | 2,050,498 |
| County of Riverside Public Financing Authority (2015 A Lease Revenue Bonds) | 2045 | 325,000,000 | 314,085,000 | 20,858,100 |
| County of Riverside Infrastructure Financing Authority (2015 A Lease Revenue Refunding Bonds)[10] | 2037 | 72,825,000 | 64,390,000 | 5,920,581 |
| County of Riverside Infrastructure Financing Authority (2016 A & 2016 A-T Lease Revenue Refunding Bonds)[11] | 2031 | 39,985,000 | 35,845,000 | 3,484,225 |
| County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds) [12] | 2044 | 46,970,000 | 45,705,000 | 2,761,863 |
| County of Riverside Infrastructure Financing Authority (2017 B & 2017 C Lease Revenue Bonds) [13] | 2047 | 22,205,000 | 21,145,000 | 1,416,700 |
| 2017 Medical Office Building | 2044 | 339,847,767 | 195,298,679 | 9,319,728 |
| TOTAL | | $1,306,662,840 | $ 954,553,890 | $ 100,850,253 |

(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 (Căpital 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 was $20 million with an option for an additional $20 million after the initial funds were exhausted. The County started using the initial line of credit on April 8, 2016, and exhausted the funds by September 26, 2017. The County started using the additional line of credit on September 26, 2017 and exhausted the fund as of December 31, 2018.

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 March 31, 2019, the County has drawn $3,275,061.06 on this line of credit.

As March 31, 2019, approximately $38,224,398 principal amount remained outstanding for repayment (approximately $23,352,807 for department equipment purchases, and approximately $14,871,591 for fleet vehicles).

**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 a 45,204 square-foot medical clinic (the "Corona Care Clinic") for RUHS located in the City of Corona. 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 was anticipated that the County will commence rental payments upon substantial completion of construction and occupancy of the Jurupa Valley Care Clinic, and the County achieved substantial completion of construction on January 10, 2019. The County has commenced rental payments for the lease term and 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 December 2019, 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.

See also "FINANCIAL INFORMATION—Fiscal Year 2018-19 Budget—Third-Quarter Budget Report".

In April 2019, the County approved entering into a Facilities Lease Agreement with CFP Riverside County, LLC, a Minnesota non-profit limited liability company, to fund the proposed construction, operation, and maintenance of the design, acquisition, construction, installation, equipping, furnishing and financing of three separate public library facilities and related amenities (the "Libraries"). The lease obligation is currently estimated at approximately $40,000,000. It is anticipated that the County will enter into the Facilities Lease Agreement in the summer of 2019, that the County will commence rental payments upon substantial completion of construction and occupancy of the Libraries, currently anticipated to be September 2020, and that the County will continue to pay rental payments for approximately 30 years thereafter, subject to certain early prepayment and purchase option provisions. Currently, the initial year's lease payment is projected to be approximately $2.8 million, escalating by approximately 20% every 10 years thereafter.

**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 April 1, 2019, approximately $2,000,000 principal amount remained outstanding under the original lease and $1,000,000 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 April 1, 2019, approximately $2,882,001 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 April 1, 2019, approximately $54,258,705 principal amount remained outstanding, which is scheduled to be repaid in full by August 30, 2035.

**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 2019. 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 November 30, 2018, the swap agreement had a negative fair market value of $15,618,470.41 (based on the quoted market price from the Counterparty at such date) **[UPDATE FOR 2019]**.

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of "Baa2" from Moody's and "BBB" from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "AA-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of April 2019, Assured Guaranty Municipal Corp. had a rating of "AA" by S&P, "A2" from Moody's and "AA+" from Kroll (KBRA). 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 2009 through 2019.

**COUNTY OF RIVERSIDE**
**REGULAR EMPLOYEES**
**2009 THROUGH 2019**

| *Year* | *Regular Employees*[(1)] |
|---|---|
| 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 | 19,102 |
| 2019 | [____] |

(1) As of December 31st of each year for years 2009 through 2018; as of [____], 2019 for year 2019. Excludes temporary and per diem employees.
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. On March 26, 2019, the County's Board of Supervisors approved a two-year collective bargaining agreement with LIUNA, which took effect in April 2019. 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 SEIU, and the parties are awaiting the fact finders reports and the Board's direction of the reports.

*[Remainder of Page Intentionally Left Blank.]*

## COUNTY OF RIVERSIDE
## LABOR ORGANIZATIONS[1]

| *Bargaining Units or Employee Group* | *Number of Employees*[2] | *Expiration Date of Contract* |
|---|---|---|
| Management, Confidential, and Other Unrepresented | 1,421 | N/A |
| Law Enforcement Management Unit (LEMU) | 431 | December 31, 2020 |
| Riverside County Deputy District Attorneys' Association (RCDDAA) | 382 | June 30, 2017[3] |
| Riverside Sheriffs' Association (RSA) LEU/Corrections | 2,253 | June 30, 2016[4] |
| Riverside Sheriffs' Association Public Safety Unit (RSA) | 586 | June 30, 2016[3] |
| Service Employees International Union (SEIU) | 7,080 | November 30, 2016[3] |
| Service Employees International Union (SEIU) Per Diem Unit | 355 | November 30, 2019 |
| Laborers' International Union of North America (LIUNA) | 7,169 | March 29, 2021[6] |
| In-Home Supportive Services (IHSS) | N/A[5] | June 30, 2015[3] |
| Total | 19,677 | |

(1) Includes all County districts.

(2) As of April 30, 2019. 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.

(6) On March 26, 2019, the County's Board of Supervisors approved a two-year collective bargaining agreement with LIUNA, which took effect in April 2019.

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.

**[UPDATE TABLE AS OF APRIL 2019 OR LATER]**

**COUNTY OF RIVERSIDE**
**EMPLOYEES PER RETIREMENT TIER[(1)]**
**(As of December 31, 2018)**

| ***Tier Level*** | ***Number of Employees in Tier Level*** |
|---|---|
| Tier 1 | 11,321 |
| Tier 2 | 731 |
| Tier 3 | 6,774 |
| Total | 18,826 |

(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, 2018, which are included in APPENDIX B — "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

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 2018 covered PERS' Fiscal Year 2016-17). 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, 2017, which was prepared in July 2018, is effective for the County's Fiscal Year 2019-20). 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"). Effective July 1, 2019, the required Safety Plan PEPRA member contribution rate will be 11.75%.

***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, 2017, the PERS actuary recommended an employer normal cost contribution rate of 10.998% ($135.1 million) be implemented as the required rate for Fiscal Year 2019-20, and an employer unfunded liability payment of approximately $129.9 million, which the County anticipates will result in a contribution to PERS of approximately $265.0 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $355,161 in County Offsets of Employee Contributions for Fiscal Year 2019-20, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2019-20 of approximately $265.4 million. In the actuarial valuation for the Safety Plan as of June 30, 2017, the PERS actuary recommended an employer normal cost contribution rate of 19.853% ($71.0 million) be implemented as the required rate for Fiscal Year 2019-20, and an employer unfunded liability payment of approximately $62.9 million, which the County anticipates will result in a contribution to PERS of approximately $133.9 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 2019-20 is projected to be approximately $399.2 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, 2017 and the total employer contributions of the County for Fiscal Year 2013-14 through Fiscal Year 2019-20. 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 |
| 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 |
| 2017 | 966,674,937 | 71.2 | 2019-20 | 133,860,833[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.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017 (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 | 290,401 |
| 2015 | 1,399,399,333 | 77.3 | 2017-18 | 183,911,209 | 315,000 |
| 2016 | 2,050,567,259 | 70.1 | 2018-19 | 224,862,038 | 280,475 |
| 2017 | 2,115,475,543 | 71.6 | 2019-20 | 265,021,457 | 355,161 |

(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 outstanding 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.

Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017 (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 |
| 2017 | 3,361,565,098 | 2,394,890,161 | 966,674,937 | 71.2 | 328,400,573 | 294.4 | 2,394,890,161 | 71.2 |

(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: Source: PERS Actuarial Reports for June 30, 2011 through June 30, 2017.

## 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 |
| 2017 | 7,441,270,302 | 5,325,794,759 | 2,115,475,543 | 71.6 | 1,128,397,500 | 187.5 | 5,325,794,759 | 71.6 |

(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, 2017.

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 2019-20 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[1] | $ 73,598,564 |
| 2016 | 2018-19 | 18.464 | 48,790,038 | 10.458 | 100,265,926 |
| 2017 | 2019-20 | 19.853 | 62,876,977 | 10.998 | 129,905,894 |

(1) 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, 2017.

***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 2019 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 | 23.9% | $293,484,000 |
| 2020-21 | 24.0 | 302,701,000 |
| 2021-22 | 26.5 | 342,964,000 |
| 2022-23 | 28.3 | 376,836,000 |
| 2023-24 | 29.3 | 400,364,000 |

(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 2019 Annual Report.

**PROJECTED COUNTY CONTRIBUTIONS**
**(Safety Plan)**[(1)]

| *Fiscal Year* | *County Rate* | *County Payment* |
|---|---|---|
| 2019-20 | 39.5% | $141,217,000 |
| 2020-21 | 42.6 | 156,077,000 |
| 2021-22 | 46.0 | 173,299,000 |
| 2022-23 | 48.3 | 186,700,000 |
| 2023-24 | 49.5 | 196,908,000 |

(1) Projections are based on data from a report prepared by Bartel Associates, LLC dated January 17, 2019 and include debt service on the County's pension obligation bonds.
Source: PARC 2019 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, 2018, the County's current required contribution level is 1.87% to maintain a funded ratio of 80%. As of June 30, 2018, the plan was funded at 82.5%. The County's contribution to the Plan was $606,694 for Fiscal Year 2015-16, $667,952 for Fiscal Year 2016-17 and $[_____] million for Fiscal Year 2017-18. The Plan's unfunded liabilities as of June 30, 2018 were approximately $1.34 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 (9.66% actual compared to 6.0% assumed); 2) demographic experience was different than expected, which resulted in a liability loss; 3) mortality assumptions were updated to reflect the revised mortality table developed in the 2017 CalPERS Experience Study, with generational future improvement scale MP-2018, resulting in an increase in liabilities; and 4) other demographic assumptions were updated to reflect the new assumptions developed in the 2017 CalPERS Experience Study, resulting in a small increase in liabilities.]

***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 June 30, 2018 (the "Postretirement Benefits Plan"), 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 $81.2 million, the accrued actuarial liability was estimated to be $68.3 million and the annual normal cost was $1.43 million. According to the Health Benefits Valuation, the

County's funding contribution for Fiscal Year 2018-19 will be $2.1 million. **[EXPECTED NUMBER FOR FISCAL YEAR 2019-20?]** The Health Benefits Valuation further provides that the June 30, 2018 plan liabilities and annual costs are higher than the prior valuation, primarily due to increased plan participation (i.e., retirees electing coverage) for CalPERS and RSA participants. As the past year's higher elections caused an increase in liabilities, the assumption was also increased to reflect this recent experience, resulting in an increase in liabilities exceeding $15 million. Beyond the higher participation impact, July 1, 2018 unfunded AAL and costs are still slightly higher than expected based on a projection from the prior valuation, as a net result of the following factors: 1) census experience was different than assumed, resulting in an actuarial loss, 2) updated premiums were lower than assumed, resulting in a reduction in liabilities, 3) mortality assumptions were updated to reflect the revised mortality table developed in the 2017 CalPERS Experience Study, with generational future improvement scale MP-2018, resulting in an increase in liabilities, 4) other demographic assumptions were updated to reflect the new assumptions developed in the 2017 CalPERS Experience Study, resulting in a small increase in liabilities, 5) the liabilities, by their nature, grow each year as all participants get closer to receiving benefits and active participants accrue additional benefits, and 6) investment return on assets was slightly lower than expected, resulting in an asset loss. According to the Health Benefits Valuation, as of June 30, 2018, the County's OPEB funded ratio was 57.8%.

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. Among other goals, GASB Statement No. 75 seeks to improve accounting and financial reporting by state and local governments for OPEB. The County adopted GASB Statement No. 75 in its audited financial statements for the fiscal year ended June 30, 2018.

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 -- **PLEASE EXPLAIN WHAT IS MEANT IN THIS SENTENCE, ADDITIONAL CLARIFICATION IS NEEDED ON IMPACT OF GASB 75 ON COUNTY'S FINANCIALS. ON PAGE 8 OF CAFR, MD&A SECTION STATES THAT COUNTY'S UNRESTRICTED NET POSITION DECREASED BY $375.9 MILLION FROM PRIOR YEAR DUE IN PART TO GASB 68 AND 75? PLEASE CLARIFY]**

**Riverside University Health System - Medical Center**

**[PLEASE REVIEW AND UPDATE]**

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 hiring of a new executive team. 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 years following the completion of Huron's engagement, RUHS experienced net operating surpluses before pension adjustments ($54.7 million, $35.9 million, $9.3 million and $11.4 million in Fiscal Years 2014-15, 2015-16, 2016-17 and 2017-18, respectively). As reported in the Third Quarter Budget Report, RUHS Medical Center is on target and projects to end Fiscal Year 2018-19 with an approximate net operating income of $3.0 million, which is dependent on the State's new Quality Incentive Program revenue (although earned, may not be received until after the end of Fiscal Year 2018-19). As previously reported in quarterly budget reports, the RUHS Federally Qualified Health Center projects to end Fiscal Year 2018-19 with an approximate net operating loss of $16.0 million, due to decade-old reimbursement rates (which are reset under limited circumstances) and rising labor, pension and operating costs that threaten financial viability.

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 in [Fiscal Year 2017-18 -- **CONFIRM**] 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, County contributions are budgeted at the same level as in prior years. For Fiscal Year 2019-20, County contributions are budgeted at [the same level as in prior years – **CONFIRM OR UPDATE**].

**Insurance**

**[PLEASE REVIEW AND UPDATE]**

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**

**[PLEASE REVIEW AND UPDATE]**

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Note or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Note, 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 Note. 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. **[CONFIRM]**

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 – **UPDATE FOR FY 2018-19 AND 2019-20?**]. 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. Recently, the 9th Circuit Court of Appeal upheld the U.S. District Court's ruling in favor of the County. In a 3-0 decision, the 9th Circuit Court ruled that the possessory interest tax remains lawful citing to its previous rulings in Agua Caliente v. County of Riverside and Fort Mojave Tribe v. County of San Bernardino. It is unclear at this time whether the Aqua Caliente tribe intends to petition the United States Supreme Court for review.

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. The first case, *Heidi Herpel, et al. v. County of Riverside*, proceeded to trial where the County prevailed. The *Herpel* plaintiffs have filed an appeal with the 4th District Court of Appeal in California. The second case, *Leonard Albrecht et al. v. County of Riverside*, proceeded to trial in October 2018 where the County also prevailed. The County anticipates that the *Albrecht* plaintiffs will also file an appeal to the 4th District Court of Appeal. In the event the *Herpel* and *Albrecht* plaintiffs do appeal, the County expects that [________] **[UPDATE]**.