

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



ITEM  
3.6  
(ID # 10943)

MEETING DATE:

Tuesday, September 24, 2019

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Adoption of Resolution No. 2019-215 Authorizing the Issuance of the FY 2019-20 Teeter Series A Notes, All Districts. [\$296,192 - Teeter Note Proceeds 100%] (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Adopt Resolution No. 2019-215 Authorizing the Issuance of the FY 2019-20 Teeter Series A Notes, supplementing its Master Teeter Resolution and providing for the terms and conditions of 2019 Series A Teeter Plan Obligation Notes (Tax-Exempt) and authorize the Chairman of the Board to execute all necessary documents to consummate the issuance of the Notes.

ACTION: Policy


  
Stephanie Perez, Principal Management Analyst 9/16/2019

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MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt  
Nays: None  
Absent: None  
Date: September 24, 2019  
xc: EO

Kecia R. Harper  
Clerk of the Board  
By:   
Deputy

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

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 296,192	\$ 0	\$ 296,192	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS:</b> 100% Teeter Note Proceeds			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	2019-2020

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

**BACKGROUND:**

**Summary**

The FY 2019-20 Series A Teeter Obligation Notes are part of an ongoing program that has been in place since 1997. The Teeter financing program is open ended and continuously rolls over any unpaid property taxes, since it usually takes more than one year, for collection of delinquent accounts. The annual Note sizing is based upon the following: i.) delinquent property taxes collected in the prior year, paying down the previous year's maturing notes, ii.) the remaining note balance is rolled into the current year's financing, iii.) the amount needed to fund the current advance of unpaid taxes is added to the financing, and, iv.) cost of issuance.

The par amount of the FY 2019-20 Teeter Obligation Notes is estimated to be \$84.130 million. The Notes will be issued in fixed rate form in one tax exempt series, under the 1997 Master Resolution, with a maturity of one year. Interest will be paid upon maturity on October 24, 2020. The par amount of the Teeter program expands and contracts as tax delinquencies rise and fall due to economic conditions and with changes to the size of the overall tax roll. Given the County's senior lien position and the relationship between the amount of taxes and property values, over time the County collects over 99%+ of the taxes owed, in addition to penalties and interest. Unlike most other County financings which bear a net cost, the Teeter financing program results in net revenues to the County General Fund.

The Program generates ongoing revenue for the General Fund by capturing the penalties and interest on the unpaid taxes upon collection. Those are paid at an annual rate in excess of 20% per annum (10% late penalty plus 1½% per month of default), pursuant to state law. The County's cost to finance the program last year was 1.5% and is expected to be about the same as the County's current year TRAN's at 1.25% depending on market conditions at time of sale. After calculating the statutorily required balance in the Tax Losses Reserve Fund and paying the interest cost for the year, the excess balance is transferred to the General Fund as unrestricted revenue. For FY 18-19, the transfer was \$21 million. For the current year, the budgeted amount is \$16 million.

The Debt Advisory Committee approved this item on September 19, 2019.

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

**Impact on Residents and Businesses**

This item will be beneficial for the citizens of Riverside County due to the substantial annual revenue that flows to the General Fund which supports county programs. Financing the Teeter program externally has been a cost-effective program and preserves the County's cash for other purposes.



Oscar Valdez, Assistant Auditor-Controller

9/18/2019



Don R. Kent, Assistant CEO-County Finance Officer

9/18/2019

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**RESOLUTION NO. 2019-215**  
**OF**  
**THE COUNTY OF RIVERSIDE**

**SUPPLEMENTING ITS**  
**MASTER TEETER RESOLUTION, AND**  
**PROVIDING FOR THE TERMS AND CONDITIONS OF**  
**2019 SERIES A TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)**

**ADOPTED ON SEPTEMBER 24, 2019**

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**RESOLUTION NO. 2019-215**

**RESOLUTION OF THE COUNTY OF RIVERSIDE  
SUPPLEMENTING ITS MASTER TEETER RESOLUTION,  
AND PROVIDING FOR THE TERMS AND CONDITIONS OF  
2019 SERIES A TEETER PLAN OBLIGATION NOTES (TAX-EXEMPT)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**WHEREAS**, pursuant to Resolution No. 2013-222, adopted September 10, 2013, the Board authorized Series D Obligations and Series E Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2013 and to refund Outstanding Series D Notes; and

**WHEREAS**, pursuant to Resolution No. 2014-182, adopted September 9, 2014, the Board authorized Series D Obligations and Series E Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2014 and to refund Outstanding Series D Notes and Outstanding Series E Notes; and

**WHEREAS**, pursuant to Resolution No. 2015-189, adopted September 15, 2015, the Board authorized Series D Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2015 and to refund Outstanding Series D Notes; and

**WHEREAS**, pursuant to Resolution No. 2016-196, adopted September 13, 2016, the Board authorized Series A Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2016 and to refund Outstanding Series D Notes; and

**WHEREAS**, pursuant to Resolution No. 2017-205, adopted September 12, 2017, the Board authorized Series A Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2017 and to refund Outstanding Series D Notes; and

**WHEREAS**, pursuant to Resolution No. 2018-171, adopted September 18, 2018, the Board authorized Series A Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2018 and to refund Outstanding Series D Notes; and

**WHEREAS**, the County wishes to include within the definition of Series B Taxes all uncollected property taxes and assessments attributable to the fiscal year ended June 30, 2019; and

**WHEREAS**, the County wishes to issue a Demand Obligation relating to delinquencies in property taxes and assessments attributable to the fiscal year ended June 30, 2019 and to issue Teeter Plan Obligation Notes, 2019 Series A (Tax-Exempt) (the "2019 Series A Notes"), the proceeds of which are to be used to refund all or a portion of a Demand Obligation, to refund Outstanding Series A Notes and to pay costs of issuance; and

**WHEREAS**, the County wishes to confirm that the security interest and pledge granted pursuant to Section 302 of the Master Teeter Resolution extends to such Series B Taxes and also secures the 2019 Series A Notes.

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

## ARTICLE I

### AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS

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

#### **1.02 Definitions.**

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

“Series B Taxes” or “Pledged Taxes” means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 and such other fiscal years, if any, as may be specified in a Supplemental Resolution, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled, including as a consequence of electing to being governed by the Law, and in each case following the allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County which have not agreed that the Law shall apply to them; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed (pursuant to Section 4715 of the Law) that the Law shall apply to it, (ii) Default Penalties, (iii) interest or Redemption Penalties, (iv) costs and fees paid pursuant to Section 4102(d) and 4112 of the Taxation Code and (v) installment payments made pursuant to Section 4217 et. seq. of the Taxation Code with respect to properties otherwise subject to Series A/B Taxes. Series B Taxes or Pledged Taxes shall not include Series A Taxes or Other Taxes.

“2019 Notes” means the 2019 Series A Notes (Tax-Exempt).

## ARTICLE II

### AUTHORIZATION OF DEMAND OBLIGATIONS

**2.01 Authorization of Demand Obligation.** The County shall evidence its obligation to make distributions to Revenue Districts pursuant to the Law in respect of property taxes and assessments attributable to the fiscal year ended June 30, 2019, through the issuance of a Demand Obligation or Demand Obligations in the principal amounts of such distributions.

## ARTICLE III



**EXTENSION OF SERIES B  
TEETER OBLIGATION PLEDGE**

**3.01 Pledge of Series B Taxes.** All Series B Taxes as defined in this Supplemental Resolution shall be governed by the provisions of Section 302(2) of the Master Teeter Resolution, the security interest and pledge created pursuant to said Section 302(2) shall hereby extend to Series B Taxes as defined in this Supplemental Resolution, and such security interest and pledge shall hereby extend in favor of Holders of (a) the Demand Obligations referred to in Section 2.01 hereof and issued hereunder and (b) the 2019 Notes issued hereunder. The lien on Series B Taxes shall continue so long as any 2019 Notes remain Outstanding.

**ARTICLE IV**

**AUTHORIZATION AND ISSUANCE OF 2019 NOTES**

**4.01 Authorization of 2019 Notes.** The Board hereby determines that the County shall issue (i) as 2019 Series A Obligations, the "Teeter Plan Obligation Notes, 2019 Series A (Tax-Exempt)," and the proceeds shall be applied to the refunding, in whole or in part, of a Demand Obligation, Outstanding Series A Notes and to pay costs of issuance. The aggregate principal amount of 2019 Notes issued hereunder shall not exceed \$85,000,000. The 2019 Notes shall be Tax-Exempt Notes (and the tax covenants contained in Section 815 of the Resolution shall apply to the 2019 Notes). Any different or additional terms and provisions of the 2019 Notes shall be set forth in a written certificate of the Treasurer or County Executive Officer delivered prior to the issuance of the 2019 Notes.

**4.02 Denominations, Medium, Method and Place of Payment and Dating of 2019 Notes.** (a) The 2019 Notes shall be initially issued and registered as provided in Section 4.07 of this Supplemental Resolution and otherwise shall be in the denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of issuance thereof, shall mature no later than December 31, 2020, and shall bear interest payable at maturity and computed on the basis of a 360-day year composed of twelve 30-day months, at the rates per annum determined in accordance with this Supplemental Resolution.

(b) Both the principal of the 2019 Notes and interest due on the 2019 Notes at maturity shall be payable in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the principal office of the Fiscal Agent upon the maturity thereof. No interest shall be payable on any 2019 Note for any period after maturity during which the registered owner thereof fails to properly present such 2019 Note for payment.

**4.03 Sale of Notes.** The Purchase Contract between Raymond James & Associates, Inc. and Wells Fargo Bank, National Association (the "Underwriters") and the County (the "Purchase Contract"), in substantially the form presented to this meeting, is hereby approved. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to execute and deliver such Purchase Contract, with such changes, additions, completions and corrections therein as such officers shall require or approve, including specifying the principal amount of the 2019 Notes (not to exceed the amount authorized under Section 4.01 hereof), the term of the 2019 Notes (not to exceed the maturity

date set forth in Section 4.02(a) hereof), the interest rate on the 2019 Notes and the purchase price of the 2019 Notes, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the true interest cost of the 2019 Notes shall not exceed 2.00% per annum, and that the underwriters' discount (exclusive of original issue discount) on the 2019 Notes shall not exceed 0.06% of the principal amount of the 2019 Notes.

**4.04 Payment of 2019 Notes.** There is hereby established with the Fiscal Agent, as agent and pledge holder for the Holders of the 2019 Notes, the "2019 Payment Fund." On or before the maturity date of the 2019 Notes, the County shall transfer to the Fiscal Agent from the General Fund, including the Series B Taxes, an amount sufficient to pay the principal of and interest on the 2019 Notes when due.

**4.05 Forms of 2019 Notes.** The 2019 Notes and the assignment to appear thereon each shall be in substantially the form set forth in Exhibit A attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**4.06 Execution and Authentication of Notes.** The County Executive Officer is hereby authorized to sign the 2019 Notes by use of his manual or facsimile signature, and the Clerk of the Board of Supervisors is hereby authorized to countersign the 2019 Notes by use of his/her manual signature and to affix the seal of the Board of Supervisors thereto by facsimile thereon. Said officers are hereby authorized to cause the blank spaces in the Notes to be filled in as may be appropriate and to deliver the 2019 Notes to the Underwriters in accordance with the terms and provisions of the Purchase Contract. In the case of 2019 Notes executed by facsimile signature of both the County Executive Officer and the Clerk of the Board of Supervisors, the 2019 Notes shall not be valid unless and until the Fiscal Agent or his or her designee shall have manually authenticated such Notes.

In case any officer whose signature appears on the 2019 Notes shall cease to be such officer before the delivery of the 2019 Notes to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the Notes.

**4.07 Registration, Exchange and Transfer.** (a) The Depository Trust Company, New York, New York, is hereby appointed depository for the 2019 Notes. The 2019 Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York and shall be evidenced by a single 2019 Note. Registered ownership of each 2019 Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 4.07(b).

(b) The 2019 Notes shall be initially issued and registered as provided in Section 4.07(a) hereof. Registered ownership of the 2019 Notes, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (b) ("Substitute Depository"); provided that any successor of Cede & Co., as

nominee of The Depository Trust Company or Substitute Depository, shall be qualified under any applicable laws to provide the service proposed to be provided by it;

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

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

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section, upon receipt of all outstanding 2019 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent designating the Substitute Depository), a single new 2019 Note, which the County shall prepare or cause to be prepared, shall be executed and delivered, registered in the name of any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified by the County Executive Officer. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section upon receipt of all outstanding 2019 Notes by the Fiscal Agent (together, in the case of a successor fiscal agent appointed by the County, with a written request of the County Executive Officer to such successor fiscal agent), new 2019 Notes, which the County shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as specified by the County Executive Officer, subject to the limitations of this Section, provided that the Fiscal Agent shall deliver such new 2019 Notes as soon as practicable.

(d) The County and the Fiscal Agent shall be entitled to treat the person in whose name any 2019 Note is registered as the owner thereof for all purposes of the Resolution and for purposes of payment of principal of and interest on such 2019 Note, notwithstanding any notice to the contrary received by the Fiscal Agent or the County; and the County and the Fiscal Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2019 Notes. Neither the County nor the Fiscal Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successor (or Substitute Depository or its successor), except to the owner of any 2019 Notes, and the Fiscal Agent may rely conclusively on its records as to the identity of the owners of the 2019 Notes.

(e) Notwithstanding any other provision of this Resolution and so long as all outstanding 2019 Notes are registered in the name of Cede & Co. or its registered assigns, the

County and the Fiscal Agent shall cooperate with Cede & Co. or its registered assigns, as sole registered owner, in effecting payment of the principal of and interest on the 2019 Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Letter of Representations, the provisions of which the Fiscal Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(f) In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section, any 2019 Note may, in accordance with its terms, be transferred or exchanged for a 2019 Note of like aggregate principal amount in authorized denominations, upon the books required to be kept by the Fiscal Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2019 Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in form approved by the Fiscal Agent.

Whenever any 2019 Note shall be surrendered for transfer or exchange, the County shall execute and the Fiscal Agent shall authenticate, if required, and deliver a new 2019 Note of authorized denominations, for a like aggregate principal amount. The Fiscal Agent shall require the owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(g) The Fiscal Agent will keep or cause to be kept sufficient books for the registration and transfer of the 2019 Notes, which shall at all times be open to inspection by the County. Upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, 2019 Notes as hereinbefore provided.

(h) If any 2019 Note shall become mutilated, the County, at the expense of the owner of such 2019 Note, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2019 Note of like tenor and number in exchange and substitution for the 2019 Note so mutilated, but only upon surrender to the Fiscal Agent of the 2019 Note so mutilated. Every mutilated 2019 Note so surrendered to the Fiscal Agent shall be cancelled by it and delivered to, or upon the order of, the County. If any 2019 Note shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the County and the Fiscal Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the County, at the expense of the owner, shall execute, and the Fiscal Agent shall thereupon authenticate, if required, and deliver a new 2019 Note of like tenor and number in lieu of and in substitution for the 2019 Note so lost, destroyed or stolen (or if any such 2019 Note shall have matured or shall be about to mature, instead of issuing a substitute 2019 Note, the Fiscal Agent may pay the same without surrender thereof). The Fiscal Agent may require payment by the registered owner of a 2019 Note of a sum not exceeding the actual cost of preparing each new 2019 Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Fiscal Agent. Any 2019 Note issued under these provisions in lieu of any 2019 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 2019 Note so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the

benefits of this Supplemental Resolution with all other 2019 Notes issued under this Supplemental Resolution.

All 2019 Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Fiscal Agent, shall be delivered to the Fiscal Agent and shall be promptly cancelled by it. The County may at any time deliver to the Fiscal Agent for cancellation any 2019 Notes previously authenticated and delivered hereunder which the County may have acquired in any manner whatsoever, and all 2019 Notes so delivered shall promptly be cancelled by the Fiscal Agent. No 2019 Note shall be authenticated in lieu of or in exchange for any 2019 Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled 2019 Notes held by the Fiscal Agent shall be disposed of as directed by the County.

**4.08 Defeasance of 2019 Notes.** (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding 2019 Notes the interest and principal thereof at the times and in the manner stipulated herein and therein, then all agreements and covenants of the County to such Holders hereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding 2019 Notes shall, prior to the maturity date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Section if there shall have been deposited with the Fiscal Agent in trust either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to prepayment prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Fiscal Agent at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal of and the interest to become due on said 2019 Notes on the maturity date thereof. Neither the securities nor moneys deposited with the Fiscal Agent pursuant to this Section 4.08(b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said 2019 Notes. The Fiscal Agent shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to this Section.

(c) After the payment or deemed payment of all the interest and principal of all Outstanding 2019 Notes as provided in this Section and payment of any amounts then owed to the Fiscal Agent, the Fiscal Agent shall pay over or deliver to the County all moneys or securities held by it pursuant hereto which are not required for the payment of the interest and principal represented by such 2019 Notes. Owners of 2019 Notes shall thereafter be entitled to payments due under the 2019 Notes only from amounts deposited pursuant to this Section and from no other source.

**4.09 Fiscal Agent.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Fiscal Agent for the 2019 Notes. The County hereby directs and authorizes the payment by the Fiscal Agent of the interest on and principal of the 2019 Notes when such become due and payable.

The Fiscal Agent is also appointed as registrar and upon the request of any registered owner, is authorized to record the transfer or exchange of 2019 Notes in accordance with the provisions hereof.

**4.10 Official Statement for 2019 Notes.** The proposed form of official statement relating to the 2019 Notes, in substantially the form presented to this meeting, is hereby approved with such additions, changes and corrections as the Treasurer and the County Executive Officer and their designees, jointly and severally, may from time to time approve. The Underwriters are hereby authorized to distribute such official statement in preliminary form (the "Preliminary Official Statement") to the potential purchasers of the 2019 Notes and are hereby authorized and directed to deliver such official statement in final form to all purchasers of the 2019 Notes. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to certify on behalf of the County that the preliminary form of the official statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by said Rule). The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the County, to sign a copy of such Official Statement in final form.

**4.11 Continuing Disclosure.** The County hereby agrees and covenants that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") executed by the County and dated the date of issuance and delivery of the 2019 Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and notwithstanding any other provision hereof, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided, that any registered owner of the 2019 Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Section.

## ARTICLE V

### MISCELLANEOUS

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

**5.02 Additional Actions.** All actions heretofore taken by the officers and agents of the County or the Board of Supervisors with respect to the issuance and sale of the 2019 Notes are hereby approved, confirmed and ratified, and the officers, employees and agents of the County and the Board of Supervisors are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale from time to time of the 2019 Notes in accordance with the Master Teeter Resolution and this Supplemental

Resolution, including, but not limited to, entering into amendments, if any, to the Fiscal Agent Agreement (including provisions relating to a costs of issuance fund) and DTC Representation Letter.

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


(a) This Supplemental Resolution shall become effective immediately upon its adoption. Except as expressly provided in this Supplemental Resolution, every term and condition contained in the Master Teeter Resolution shall apply to this Supplemental Resolution and to the additional Demand Obligations and 2019 Notes authorized hereby, with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Resolution.

(b) This Supplemental Resolution and all of the terms and provisions herein contained shall form part of the Master Teeter Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the Master Teeter Resolution. The Master Teeter Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented and as amended and supplemented hereby.

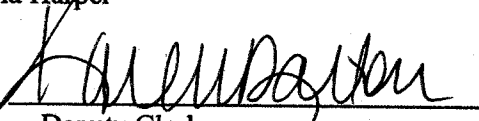
**5.04 Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of any of the Demand Obligations or any of the 2019 Notes authorized hereby, and the Holders shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law.

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

PASSED and ADOPTED by the Board of Supervisors on September 24, 2019.

By:   
Kevin Jeffries, Chairman of the Board of Supervisors

ATTEST:  
Clerk of the Board  
Kecia Harper

By:   
Deputy Clerk

FORM APPROVED COUNTY COUNSEL

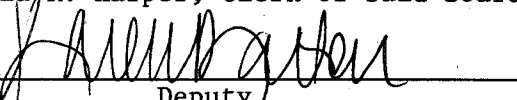
BY:  18 Sept. 2019  
DAVID M. MCCARTHY DATE

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 2019 SERIES A NOTE**

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

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

**COUNTY OF RIVERSIDE TEETER PLAN OBLIGATION NOTE,  
2019 SERIES A (TAX-EXEMPT)**

<b>NOTE DATE</b>	<b>MATURITY DATE</b>	<b>INTEREST RATE</b>	<b>CUSIP</b>
----------------------	--------------------------	--------------------------	--------------

REGISTERED OWNER:

PRINCIPAL AMOUNT:

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

This Note is one of a duly authorized issue of Teeter Plan Obligation Notes, 2019 Series A (Tax-Exempt) of the County issued under and pursuant to the Resolution. The 2019 Series A Notes are payable from the General Fund and are secured by Series B Taxes as defined in the Resolution. By acceptance of this Note, the Holder consents to all the terms and conditions hereof, and of the Resolution, a copy of which is on file with the County.

This Note is not subject to redemption prior to maturity.

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

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

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

COUNTY OF RIVERSIDE

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

(SEAL)

COUNTERSIGNED:

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

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\$ \_\_\_\_\_  
**COUNTY OF RIVERSIDE**  
**Teeter Plan Obligation Notes**  
**2019 Series A (Tax-Exempt)**

**PURCHASE CONTRACT**

\_\_\_\_\_, 2019

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

Ladies and Gentlemen:

The undersigned, Raymond James & Associates, Inc. (the "**Representative**"), as representative of itself and Wells Fargo Bank, N.A. (collectively with the Representative, the "**Underwriters**"), acting on its own behalf and not as fiduciary or agent of the County of Riverside (the "**County**"), offers to enter into this Purchase Contract (this "**Purchase Contract**") with the County. This offer is made subject to written acceptance by the County prior to 11:59 p.m., California time, on the date hereof, and upon such acceptance, this Purchase Contract will be binding upon the County and the Underwriters.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriters hereby agree to purchase from the County, and the County hereby agrees to sell to the Underwriters, all (but not less than all) of the \$ \_\_\_\_\_ aggregate principal amount of the County's Teeter Plan Obligation Notes 2019 Series A (Tax-Exempt) (the "**Notes**"). The purchase price for the Notes shall be equal to \$ \_\_\_\_\_ (being the aggregate principal amount thereof plus original issue premium of \$ \_\_\_\_\_ and less an Underwriters' discount of \$ \_\_\_\_\_).

2. The Notes. The Notes shall be dated their date of issuance and shall mature on October \_\_\_\_\_, 2020. The Notes are being issued under Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted by the Board of Supervisors of the County (the "**Board of Supervisors**") on November 4, 1997 (together, as heretofore amended and supplemented, the "**Master Teeter Resolution**"), including as supplemented by a resolution adopted by the Board of Supervisors on September 24, 2019 (together with the Master Teeter Resolution, the "**Resolutions**"), and a Fiscal Agent Agreement, dated as of November 1, 1997 (as amended, the "**Fiscal Agent Agreement**"), by and between the County and The Bank of New York Mellon Trust Company, N.A., as successor fiscal agent thereunder (the "**Fiscal Agent**"), and in full conformity with the Constitution and laws of the State of California (the "**State**"), as amended and supplemented. The Notes will bear interest at the rate set forth in Exhibit A hereto. The Notes will be registered initially in the name of "Cede & Co." as nominee of The Depository Trust Company ("**DTC**") in New York, N.Y., the securities depository for the Notes.

3. Use of Documents. The County has delivered to the Underwriters copies of its Preliminary Official Statement dated September \_\_\_\_\_, 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 seven (7) business days from the date hereof and in sufficient time to accompany any confirmations requesting payment sent to purchasers. The number of Official Statements so delivered will be sufficient to comply with the requirements of paragraph (b)(4) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("**Rule 15c2-12**") and the Rules of the Municipal Securities Rulemaking Board ("**MSRB**"). In addition, the County shall prepare or cause to be prepared the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriters no later than one (1) business day prior to the Issue Date (defined below) to enable the Underwriters to comply with MSRB Rule G-32.

The County has approved the distribution by the Underwriters of the Official Statement and the County hereby authorizes the Underwriters to use, in connection with the offer and sale of the Notes, the Official Statement and the Resolutions 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 Purchase Contract.

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 enumerated events. A description of such undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

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

The County acknowledges and agrees that: (i) the purchase and sale of the Notes pursuant to this Purchase Contract is an arm's-length commercial transaction between the County and the Underwriters; (ii) in connection with such transaction, including the process leading thereto, the Underwriters are acting solely as a principal and not as an agent or a fiduciary of the County; (iii) the Underwriters have neither assumed an advisory or fiduciary responsibility in favor of the County with respect to the offering of the Notes or the process leading thereto (whether or not the Underwriters, or any affiliate of the Underwriters, have advised or are currently advising the County on other matters) nor has it assumed any other obligation to the County except the obligations expressly set forth in this Purchase Contract, (iv) the Underwriters have financial and other interests that differ from those of the County; and (v) the County has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Notes.

5. The Closing. At 8:00 a.m., California time, on October \_\_\_\_\_, 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 "**Issue Date**"), the County will deliver to the Underwriters, through the

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

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

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

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

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

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

(e) As of the date thereof and the date hereof, the Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for information permitted to be omitted therefrom by Rule 15c2-12 (except that this representation does not include information regarding DTC and its book-entry only system, information under the caption "UNDERWRITING," CUSIP number(s), price(s) and yield(s) for the Notes and any other information provided by the Underwriters, as to which no view is expressed).

(f) As of the date hereof, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, information under the caption "UNDERWRITING," CUSIP number(s), price(s) and yield(s) for the Notes and any other information provided by the Underwriters, as to which no view is expressed). If between the date of the Official Statement and the Closing (i) any event shall occur or any pre-existing fact or condition shall become known which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters thereof, and (ii) if in the reasonable opinion of the Underwriters and the County, such event, fact or condition requires the preparation and publication of a supplement or amendment to the Official Statement, the County will at its expense supplement or amend the Official Statement in a form and in a manner jointly approved by the Underwriters and the County, which approval shall not be unreasonably withheld.

(g) The County undertakes that, for a period beginning with the day on which the Notes are delivered to the Underwriters and ending on the earlier of (i) the time when the Official Statement is available to any person from the MSRB, but no less than 25 days following the "end of the underwriting period," as defined in Rule 15c2-12, or (ii) 90 days from the end of the underwriting period, it will (a) apprise the Underwriters of all material developments, if any, occurring with respect to the County and (b) if determined by the County or requested by the Underwriters, prepare a supplement to the Official Statement in respect of any such material event. The period described in the preceding sentence shall be reduced to twenty-five (25) days if the Official Statement has been deposited with the MSRB and is available from such depository upon request. The Underwriters hereby agree to use its best efforts to deposit the Official Statement with the MSRB so that such period will be reduced to twenty-five (25) days. Unless otherwise notified in writing by the Underwriters, the County may assume that the end of this underwriting period occurs on the date when the County delivers the Notes to the Underwriters.

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

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

(j) The County will punctually pay or cause to be paid the principal of and

interest to become due on the Notes in strict conformity with the terms of the Resolutions, the Fiscal Agent Agreement and the Notes and it will faithfully observe and perform all of the conditions, covenants and requirements of the Notes and the Documents.

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

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

(m) The County will enter into the Continuing Disclosure Certificate in order to provide the information required therein. Except as disclosed in the Official Statement, the County has not failed to comply in all material respects with a continuing undertaking under Rule 15c2-12 during the previous five years.

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

(o) The County's Comprehensive Annual Financial Report ("**CAFR**") as of June 30, 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.

#### 7. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the County in establishing the issue price of the Notes 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 B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the County and Note Counsel, to accurately reflect, as applicable, the sales price or the initial offering price to the public of the Notes.

(b) **[GENERAL RULE]** [The County will treat the first price at which 10% of the Notes (the "**10% test**") is sold to the public as the issue price of the Notes. At or promptly after the execution of this Purchase Contract, the Representative shall report to the County the price at which the Underwriters have sold to the public the Notes. If at that time the 10% test has not been satisfied as to the Notes, the Representative agrees to promptly report to the County the prices at which the Notes have been sold by the Underwriters to the public. That



reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Notes.]

(c) **[HOLD THE PRICE RULE]**[The Representative confirms that the Underwriters have offered the Notes to the public on or before the date of this Purchase Contract at the offering price (the “**initial offering price**”), or at the corresponding yield, set forth in Exhibit A attached hereto. Exhibit A sets forth, as of the date of this Purchase Contract, that the 10% test under Treasury Regulation 1.148-1(f)(2)(i) has not been satisfied for the Notes, and the County and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the County to treat the initial offering price to the public of the Notes as of the sale date as the issue price of the Notes (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to the Notes, the Underwriters will neither offer nor sell unsold Notes to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (i) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (ii) the date on which the Underwriters have sold at least 10% of the Notes to the public at a price that is no higher than the initial offering price to the public.]

The Representative shall promptly advise the County when the Underwriters have sold 10% of the Notes to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The County acknowledges that, in making the representation set forth in this subsection, the Representative will rely on (i) the agreement of each Underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The County further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement, to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Notes.

- (d) The Representative confirms that:
  - (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as

applicable, to (A) report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative and as set forth in the related pricing wires, and

- (ii) any agreement among underwriters relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Notes allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Notes or all Notes have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Representative or the Underwriter and as set forth in the related pricing wires.

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

- (iii) "public" means any person other than an underwriter or a related party;
- (iv) "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 Notes 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 Notes 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 Notes to the public);
- (v) a purchaser of any of the Notes is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 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); and
- (vi) "sale date" means the date of execution of this Purchase Contract by all parties.

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

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

(b) At and as of the Closing (i) the Official Statement, this Purchase Contract, the Continuing Disclosure Certificate and the Resolutions shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been jointly agreed to in writing by the County and the Underwriters; (ii) all actions under which, in the opinion of Orrick, Herrington & Sutcliffe LLP, Note Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the County shall perform or have performed all of its obligations required under or specified in the Resolutions, the Fiscal Agent Agreement or this Purchase Contract 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 Section 6(d) hereof or contesting in any way the completeness or accuracy of the Official Statement;

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

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

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

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

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

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

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

(D) the Underwriters may rely on the approving opinion of Note Counsel;

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

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

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

(B) the Resolutions were duly adopted at meetings of the Board of Supervisors which were called and held pursuant to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolutions are in full force and effect and have not been amended, modified or rescinded;

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

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

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

(F) 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 Resolutions and the Documents to be performed at or prior to the Closing; and

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

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

(A) such copies are true and correct copies of the Resolutions;  
and

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

Underwriters;

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

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

(B) The Resolutions of the County authorizing the issuance of the Notes and the execution and delivery of the Documents were duly adopted at meetings of the Board of Supervisors which were called and held pursuant to law, with all public notice required by law, and at which a quorum was present and acting throughout and the Resolutions are in full force and effect and have not been amended, modified or rescinded;

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

(D) The County has full right and lawful authority to adopt the Resolutions and to execute and deliver the Notes, the Fiscal Agent Agreement, the Purchase Contract and the Official Statement, such documents have been duly authorized, executed and delivered on behalf of the County, and the Fiscal Agent Agreement, the Purchase Contract and the Resolutions 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;

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

(F) To the best of our knowledge, the information concerning the County contained in the Official Statement (excluding information regarding DTC and all financial or statistical information as to which no opinion is

expressed) is correct in all material respects and does not contain any untrue or misleading statement of a material fact or omit a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

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

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

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

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

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

(ix) Evidence from Moody's Investors Service Inc. and Fitch Ratings that the Notes have been rated "MIG 1" and "F1+," respectively, and that such ratings continue in effect as of the Closing;

(x) Certified copies of the Resolutions 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;

(xi) An opinion, dated the date of the Closing addressed to the Underwriters, of Jones Hall, A Professional Law Corporation, counsel to the Underwriters, in such form as may be acceptable to the Underwriters; and

(xii) Such additional certificates, instruments and other documents as

the Underwriters may reasonably deem necessary.

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

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

(i) any event shall occur which, in the reasonable opinion of the Representative, causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading;

(ii) the marketability of the Notes or the market price thereof, in the opinion of the Representative, has been materially adversely affected by disruptive events, occurrences or conditions in the securities or debt markets;

(iii) the marketability of the Notes or the market price thereof, in the opinion of the Representative, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Purchase Contract in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the County, or the interest on Notes or notes or obligations of the general character of the Notes;

(iv) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Representative, materially adversely affects the market price of the Notes;



(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Notes, or the issuance, offering or sale of the Notes, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Notes, or the Notes, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Indenture needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Notes;

(vii) a general banking moratorium shall have been established by federal or State authorities or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by orders of the Securities and Exchange Commission or any other governmental authority;

(viii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Representative, would affect materially and adversely the ability of the Underwriters to market the Notes;

(ix) the marketability of the Notes or the market price thereof, in the opinion of the Underwriters, has been materially adversely affected by any of the following events or occurrences: (1) any rating of the Notes or any other obligations of the County shall have been downgraded, suspended or withdrawn by a national rating service, (2) there shall have been any official statement by a national rating service as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of the Notes or any other obligations of the County, or (3) any notice shall have been given of any intended downgrading, suspension, withdrawal or negative change in credit watch status by any national rating service to any of the County's obligations;

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

(xi) there shall exist any event which in the reasonable opinion of the Underwriters that either: (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement; or (ii) is not reflected in the

Official Statement but should be reflected therein to make the statements and information contained therein not misleading in any material respect; or

(xii) there shall be in force a general suspension of trading on the New York Stock Exchange.

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

11. Expenses. The County will pay or cause to be paid the expenses incident to the performance of its obligations hereunder and certain expenses relating to the sale of the Notes, including, but not limited to: (a) the cost of the preparation and printing or other reproduction of the Documents (other than this Purchase Contract); (b) the fees and disbursements of Note Counsel and Disclosure Counsel, the County's financial advisor and any other experts or other consultants retained by the County; (c) the costs and fees of the credit rating agencies; (d) the cost of preparing and delivering the definitive Notes; (e) the cost of providing immediately available funds on the date of the Closing; and (f) the cost of the printing or other reproduction of the Official Statement and any amendment or supplement thereto, including a reasonable number of certified or conformed copies thereof.

The Underwriters will pay the expenses of the preparation of this Purchase Contract and all other expenses incurred by the Underwriters in connection with the public offering and distribution of the Notes, including California Debt and Investment Advisory Commission fees and the fee and disbursements of Underwriter's Counsel and all other expenses incurred by the Underwriters in connection with the public offering and distribution of the Notes.

12. Notices. Any notice or other communication to be given to the County under this Purchase Contract may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Raymond James & Associates, Inc., One Embarcadero Center, Suite 650, San Francisco, California 94111, Attention: Robert Larkins.

13. Entire Agreement. This Purchase Contract, when accepted by the County, 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 the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the County's representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Representative, until the earlier of: (i) delivery of and payment for the Notes hereunder; and (ii) any termination of this Purchase Contract.

14. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

15. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

16. State of California Law Governs. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

17. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriters or the County without the prior written consent of the other party hereto.

RAYMOND JAMES & ASSOCIATES, INC.

By: \_\_\_\_\_  
Its: Authorized Officer

Accepted as of the date first stated above:

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Its: Assistant CEO - County Finance Officer

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

EXHIBIT A

TERMS AND PRICING SCHEDULE

COUNTY OF RIVERSIDE  
Teeter Plan Obligation Notes 2019 Series A (Tax-Exempt)

Par Value	Original Issue Premium	Underwriters' Discount	Purchase Price	Dated Date	Maturity Date	Coupon	Yield	Fitch Rating	Moody's Rating
\$ _____	\$ _____	\$ _____	\$ _____	_____, 2019	_____, 2020	_____%	_____%	_____	_____

**EXHIBIT B**

**FORM OF ISSUE PRICE CERTIFICATE**

**COUNTY OF RIVERSIDE  
Teeter Plan Obligation Notes 2019 Series A (Tax-Exempt)**

This Certificate is furnished by Raymond James & Associates, Inc. (the "**Representative**"), as representative of the underwriters (collectively with the Representative, the "**Underwriters**") in connection with the issuance by the County of Riverside (the "**Issuer**") of \$\_\_\_\_\_ aggregate principal amount of its Teeter Plan Obligation Notes 2019 Series A (Tax-Exempt) (the "**Notes**"). The Representative hereby certifies the following, based upon the information available to it:

The Issuer may rely on the statements made herein in connection with making the representations set forth in its Tax Certificate for the Notes and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended (the "**Code**"). Orrick, Herrington & Sutcliffe LLP ("**Note Counsel**") may also rely on this Certificate for purposes of its opinion regarding the treatment of interest on the Notes as excludable from gross income for federal income tax purposes. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, the Underwriters are not engaged in the practice of law. Accordingly, the Representative makes no representation as to the legal sufficiency of the factual matters set forth herein.

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

[1. **Initial Offering Price of the Notes.**

(a) The Underwriters offered the Notes to the Public for purchase at the initial offering price listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Purchase Contract, dated \_\_\_\_\_, 2019, between the Issuer and Representative, as representative of the Underwriters, the Underwriters have agreed in writing that, (i) the Underwriters would neither offer nor sell any of the Notes to any person at a price that is higher than the Initial Offering Price during the Holding Period (the "**hold-the-offering-price rule**"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Notes at a price that is higher than the respective Initial Offering Price during the Holding Period.]

2. **Defined Terms.**

(a) "Holding Period" means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of the Notes to the Public at prices that are no higher than the Initial Offering Price for the Notes.

(b) "Issuer" means the County of Riverside.

(c) "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.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of the Notes. The Sale Date of the Notes is \_\_\_\_\_, 2019.

(e) "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 Notes 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 Notes 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 Notes 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 Notes, and by Note Counsel in connection with rendering its opinion that the interest on the Notes 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 Notes.

**RAYMOND JAMES & ASSOCIATES, INC.,**  
as Representative

By: \_\_\_\_\_  
Managing Director

Dated: \_\_\_\_\_, 2019

**SCHEDULE A**  
**SALE PRICE OF THE NOTES**

*(Attached)*



**SCHEDULE B**  
**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER \_\_, 2019

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: "\_\_\_"

Fitch: "\_\_\_"

See "RATINGS" herein.

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and interest on the Notes is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

§ \_\_\_\_\_ \*

COUNTY OF RIVERSIDE  
TEETER PLAN OBLIGATION NOTES  
2019 SERIES A (TAX-EXEMPT)

Dated: Date of Delivery

Due: October \_\_, 2020

The County of Riverside Teeter Plan Obligation Notes, 2019 Series A (Tax Exempt) (the "Notes") are being issued to (i) refund the outstanding County of Riverside Teeter Plan Obligation Notes, 2018 Series A (Tax-Exempt), (ii) fund an advance of unpaid property taxes for agencies participating in the County of Riverside's Teeter Plan (the "Teeter Plan"), and (iii) pay the costs of issuance related to the Notes. See "THE COUNTY—The Teeter Plan." The Notes will be issued bearing interest at a fixed rate as set forth below.

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

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

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

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

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

**MATURITY SCHEDULE**

**2019 SERIES A TEETER OBLIGATION NOTES (TAX-EXEMPT)**

Principal Amount	Interest Rate	Yield	Price	CUSIP No.†
				76914A__

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

The Notes are offered when, as and if issued and received by the Underwriters, subject to the approval of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the County, and to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the County with respect to the Notes. Certain legal matters will be passed upon for the County by County Counsel, and for the Underwriters by their counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. It is anticipated that the Notes will be available for delivery to The Depository Trust Company or its agent on or about October \_\_, 2019.

[Raymond James Logo]

[Wells Fargo Securities Logo]

Dated: \_\_\_\_\_, 2019.

\* Preliminary, subject to change.

† CUSIP® Copyright 2019, American Bankers Association. CUSIP® data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers' Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. Neither the County nor the Underwriters takes any responsibility for the accuracy of CUSIP data in this Official Statement. The CUSIP® number for a specific maturity is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Notes.

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

**COUNTY OF RIVERSIDE**

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

**Board of Supervisors**

Kevin Jeffries, First District, Chairman  
V. Manual Perez, Fourth District, Vice Chairman  
Karen Spiegel, Second District  
Chuck Washington, Third District  
Jeff Hewitt, Fifth District

**County Officials**

George Johnson, County Executive Officer  
Jon Christensen, Treasurer-Tax Collector  
Paul Angulo, Auditor-Controller  
Peter Aldana, Assessor-County Clerk-Recorder  
Gregory P. Priamos, County Counsel  
Don Kent, Assistant Chief Executive Officer, County Finance Officer

**SPECIAL SERVICES**

**Bond Counsel**

Orrick, Herrington & Sutcliffe LLP  
San Francisco, California

**Disclosure Counsel**

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

**Municipal Advisor**

Columbia Capital Management, LLC  
Glendale, California

**Fiscal Agent**

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

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

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

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

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Official Statement constitutes an official statement of the County that has been deemed final by the County as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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

CAUTIONARY STATEMENTS REGARDING  
FORWARD-LOOKING STATEMENTS IN  
THIS OFFICIAL STATEMENT

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

The County maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, SEC rule 15c2-12.

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**COUNTY OF RIVERSIDE  
TEETER PLAN OBLIGATION NOTES  
2019 SERIES A (TAX-EXEMPT)  
INTRODUCTION**

**General**

This Official Statement, including the cover page, the table of contents and appendices, has been prepared in connection with the issuance by the County of Riverside, California (the "County") of its Teeter Plan Obligation Notes, 2019 Series A (Tax Exempt) (the "Notes"), and contains certain information relating to the Notes and the County.

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

The Notes are being issued to (i) refund any outstanding amount of the County's Teeter Plan Obligation Notes, 2018 Series A (Tax-Exempt), originally issued and currently outstanding in the aggregate principal amount of \$74,190,000 (the "2018 Series A Notes") maturing on October 24, 2019, (ii) fund an advance of unpaid property taxes for agencies participating in the County's Teeter Plan, and (iii) to pay the costs of issuance related to the Notes. See "THE COUNTY—The Teeter Plan."

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

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

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

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

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

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

On July 31, 1997, the County, acting pursuant to the provisions of Sections 860 *et seq.* of the California Code of Civil Procedure, filed a complaint in the Superior Court of the State of California for the County of Riverside (Case No. 299847) seeking judicial validation of the transactions relating to the Master

Teeter Resolution (as originally adopted) and certain other matters. On September 12, 1997, the court entered a default judgment to the effect that, among other things, the Resolution (as defined below) and the Obligations (as defined below) issued pursuant to the Resolution, including the Notes, represent valid and binding obligations of the County. The appeal period for the default judgment expired October 14, 1997. See "VALIDATION" herein.

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

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

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

## **THE NOTES**

### **Authority for Issuance**

The Notes are authorized to be issued pursuant to the Master Teeter Resolution, as amended and supplemented thereafter, including as supplemented on September 24, 2019 (collectively, the "Resolution"), and a Fiscal Agent Agreement, dated as of November 1, 1997, as amended, between The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.) (the "Fiscal Agent"), as successor to U.S. Trust Company of California, N.A., and the County (the "Fiscal Agent Agreement").

### **Purpose of Issue**

Pursuant to the Resolution, the proceeds of the sale of the Notes will be applied to refund the outstanding 2018 Series A Notes, to fund an advance of unpaid property taxes for agencies participating in the Teeter Plan, and to pay the costs of issuance related to the Notes. See "THE COUNTY—The Teeter Plan."

### **Description of the Notes**

The Notes will be registered in the name of Cede & Company, as nominee of DTC, New York, New York. DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000. Beneficial Owners (as defined below) of the Notes will not receive physical Notes representing the Notes purchased. The interest on the Notes will be paid at the maturity thereof. The principal of the Notes will be due on the maturity date thereof. The principal of and interest on the Notes will be paid by the County Treasurer-Tax Collector to the Fiscal Agent which will in turn remit such principal and interest to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Notes. See APPENDIX E—"BOOK-ENTRY ONLY SYSTEM."

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 360-day year composed of twelve 30 day months for the Notes.

Interest on the Notes will be paid on the maturity date of the Notes set forth on the cover page hereof. The Notes may be sold in Authorized Denominations of \$5,000 or any multiple thereof.

### **Redemption**

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

### **Security for the Notes**

The County has pledged the Pledged Taxes (as hereinafter defined) to the payment of the Notes. The payment of the Notes is also secured by the County's General Fund.

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

The principal of and interest on the Notes will be payable from Pledged Taxes and from lawfully available moneys in the County's General Fund. The County has pledged the Pledged Taxes to the payment of the Notes. "Pledged Taxes" are defined as (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994 through and including June 30, 2019 and such other fiscal years, if any, as may be specified in a supplemental resolution, for which the County actually provides funding pursuant to the Law, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled as a consequence of electing to be governed by the Law, and in each case following an allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County that are not participating in the Teeter Plan; provided, however, that Pledged Taxes shall not include (i) the right to collect delinquencies in property taxes due to an independent district for all fiscal years prior to the fiscal year in which the respective independent district agreed with the County that the Law shall apply to such independent district, (ii) default penalties, (iii) interest or redemption penalties, (iv) certain costs and fees paid pursuant to the Law and (v) the right to receive installment payments made pursuant to Section 4217 *et seq.* of the California Revenue and Taxation Code.

Pledged Taxes do not include property tax revenues attributable to Fiscal Year 2019-20.

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

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

Receipts of the Pledged Taxes are deposited into a Teeter Tax Account within the County's General Fund for repayment of the Notes. Penalties and interest are deposited into a Tax Losses Reserve Fund maintained by the County. In the event of a property sale at foreclosure which results in a loss, amounts to offset those losses are transferred from the Tax Losses Reserve Fund to the Teeter Tax Account. At the election of the County, the Tax Losses Reserve Fund is maintained at an amount equal to one of two methods:



(1) 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for taxing entities participating in the Teeter Plan, or (2) 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for taxing entities participating in the Teeter Plan. Any excess over the required balance in the Tax Losses Reserve Fund is transferred to the County's General Fund. Although the County is currently governed by the first alternative, and this method has consistently provided sufficient funds for any tax losses, the County is considering using the alternative method of funding the Tax Loss Reserve Fund. This change requires the recommendation of the Auditor-Controller and the approval of the Board of Supervisors. This change may occur prior to the redemption of the Notes; however, amounts in the Tax Losses Reserve Fund are not pledged to repayment of the Notes. See "THE COUNTY—The Teeter Plan."

### **Fiscal Agent**

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

### **Defeasance of the Notes**

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

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

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

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

- (i) United States Treasury Bonds, Notes and Certificates (including State and Local Government Series - "SLGS");
- (ii) Direct obligations of the United States Treasury which have been stripped, including by the Treasury itself, CATS, TIGRS and similar securities;

(iii) The interest component of Resolution Funding Corp strips which have been stripped by request to the Federal Reserve Bank of New York, in book entry form;

(iv) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P;

(v) Obligations issued or fully guaranteed by the following agencies which are backed by the full faith and credit of the United States of America:

- a. U.S. Export-Import Bank  
Direct obligations or fully guaranteed certificates of beneficial ownership
- b. Farmers Home Administration  
Certificates of beneficial ownership
- c. Federal Financing Bank
- d. General Services Administration  
Participation certificates
- e. United States Maritime Administration  
Guaranteed Title XI financing
- f. United States Department of Housing and Urban Development  
Project notes  
Local Authority Certificates  
New Communities Pool Notes - United States government guaranteed debentures  
United States Public Housing Notes and Certificates - United States government guaranteed public housing notes and bonds.

#### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Notes, plus available funds on hand with the County in the Teeter Tax Account, are anticipated to be applied as follows:

**Sources:**

Principal Amount of Notes	\$
[Net] Original Issue [Premium/Discount]	
Available Funds	
<b>Total Sources</b>	<u>\$</u>

**Uses:**

Payment of 2018 Series A Notes <sup>(1)</sup>	\$
Teeter Advance	
Costs of Issuance	
Underwriters' Discount	
<b>Total Uses</b>	<u>\$</u>

<sup>(1)</sup> Note proceeds, together with other moneys of the County, will be used to pay in full the 2018 Series A Notes when due.

#### THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east

by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,440,124 as of January 1, 2019, reflecting a 1.14% increase over January 1, 2018.

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

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

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

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

### **The Teeter Plan**

With respect to collection of property taxes, the County 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 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 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 Loss 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. Although the County is currently governed by the first alternative, and this method has consistently provided sufficient funds for any tax losses, the County is considering using the alternative method of funding the Tax Loss Reserve Fund. This change requires the recommendation of the Auditor-Controller and the approval of the Board of Supervisors. This change may occur prior to the redemption of the Notes; however, amounts in the Tax Losses Reserve Fund are not pledged to repayment of the Notes.

Since 1997, the County has publicly issued tax exempt notes and, from time to time, taxable notes, such as the Notes, to finance the County's obligations to make distributions to the Revenue Districts pursuant to the Teeter Plan, and to refund certain obligations of the County related to such obligations. The County manages the program on a continuous basis by paying down the amount outstanding with collections of prior fiscal 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 \$24.2 million. As the amount of delinquent taxes receivable has declined, the annual revenue available to the General Fund has been reduced. For Fiscal Year 2018-19, the net Teeter revenue to the County's General Fund was approximately \$21 million. The Teeter Plan obligations are approximately \$\_\_ million\* in Fiscal Year 2019-20. The following Table 1 sets forth the aggregate principal amount of the Teeter Plan obligations issued in fiscal years 2009-10 through 2019-20.

**TABLE 1**  
**COUNTY OF RIVERSIDE**  
**TEETER PLAN OBLIGATIONS ISSUED**  
**FISCAL YEARS 2009-10 THROUGH 2019-20**

<i>Fiscal Year</i>	<i>Principal Amount</i>
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
2019-20	*

\* Preliminary, subject to change.

Source: County of Riverside.

The County accounts for the Teeter Plan in its audited financial statements by listing the amount of Notes payable with its other liabilities; including unpaid taxes with its other receivables; and including apportioned prior years' taxes on deposit with other restricted cash. The taxes receivable are listed in their principal amount without any penalties or accrued interest. See APPENDIX B—"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, such as the Notes, or other alternative sources of cash. Should market access for Teeter notes be limited, and no private or direct bank placements options be available, the County has two voluntary options to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts.

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 County Treasurer's Pooled Investment Fund (the "PIF") purchase the Teeter notes. Such Teeter notes have been purchased by the PIF in the past. The PIF is much larger than the aggregate principal amount of the Notes, and the purchase of the Notes could be easily accommodated by the current PIF size (approximately \$6.8 billion as of June 30, 2019). **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 APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE—FINANCIAL INFORMATION—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 the Notes, and the continuation of the Teeter Program is beneficial to the County's overall financial condition. Should additional cash be needed, the County may borrow lawfully available moneys in the County's General Fund to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts. **Such General Fund borrowings to meet the redemption of maturing Teeter notes and to fund the subsequent Teeter advance to the participating Revenue Districts have been authorized by the Board of Supervisors.** See "—The General Fund" herein.

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

### **Tax Collections**

The operation of the County's property tax system is shared by three elected officials: the County Assessor, the County Treasurer-Tax Collector and the County Auditor-Controller. The County Treasurer-Tax Collector bears primary responsibility for billing and collection, while the Auditor-Controller is responsible for accounting and apportionment issues. Payments not made by December 10 and April 10 are subject to a 10% delinquency penalty. Unpaid taxes begin accruing a 1.5% per month additional charge if unpaid at the end of the fiscal year (each June 30). See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF

RIVERSIDE—FINANCIAL INFORMATION—*Ad Valorem* Property Taxes” for information regarding property tax collections within the County since Fiscal Year 2007-08.

Properties are subject to foreclosure if delinquent taxes and penalties are not paid within five years. Tax sale is the County’s ultimate collection tool; at the same time the County may realize a tax loss upon sale. The County is required to transfer the amount of any tax loss from the Tax Losses Reserve Fund to the Teeter Debt Service Account. The required balance in the Tax Losses Reserve Fund for Fiscal Year 2018-19 is approximately \$\_\_\_\_\_. The County’s history of tax sales has been favorable, with minimal losses experienced over the last ten years. The following Table 2 sets forth the Teeter Plan losses in fiscal years 2006-07 through 2018-19.

**TABLE 2  
COUNTY OF RIVERSIDE  
TEETER LOSSES IN FISCAL YEARS 2006-07 THROUGH 2018-19**

<i>Fiscal Year</i>	<i>Maximum Projected Tax Loss<sup>(1)</sup></i>	<i>Maximum Projected Teeter Loss<sup>(2)</sup></i>	<i>Actual Tax Loss<sup>(3)</sup></i>	<i>Actual Teeter Loss<sup>(2)</sup></i>
2006-07 <sup>(4)</sup>	-	-	-	-
2007-08	\$ 67,681.48	\$ 49,712.06	\$ 40,026.93	\$ 29,379.77
2008-09	312,262.33	232,260.74	151,005.46	112,197.06
2009-10	297,323.41	218,740.84	273,665.55	201,853.93
2010-11	246,887.56	133,887.11	235,583.74	127,750.50
2011-12	571,731.15	314,605.46	249,452.87	137,310.17
2012-13	649,110.18	357,400.07	80,748.55	44,411.71
2013-14 <sup>(5)</sup>	5,211,319.08	2,878,952.98	747,826.47	412,920.48
2014-15 <sup>(5)</sup>	4,968,482.65	2,747,967.68	1,006,608.57	556,700.84
2015-16 <sup>(5)(6)</sup>	7,387,021.19	4,141,051.97	2,311,386.93	1,295,658.37
2016-17 <sup>(5)</sup>	2,697,097.68	1,511,197.00	227,689.47	127,587.12
2017-18 <sup>(5)</sup>	6,678,769.45	3,761,103.34	2,414,361.37	1,329,347.36
2018-19 <sup>(5)</sup>	2,951,611.53	1,663,823.42	885,520.79	451,810.69

- (1) Assuming all properties sold at tax sale at the minimum authorized bid.
- (2) Teeter’s pro rata share based on the percentages provided by the Auditor’s office of those agencies that participate in Teeter.
- (3) Tax loss equals taxes owed minus sale proceeds (per parcel), if proceeds do not exceed taxes owed. Any excess sale proceeds are refunded.
- (4) There was only one tax sale in Fiscal Year 2006-07 which did not result in a tax loss.
- (5) Beginning in Fiscal Year 2013-14, the County changed its process for selling delinquent properties which required the County to recognize the entire tax delinquency for each property as the maximum projected tax loss. As a result, the maximum projected tax loss and the maximum projected Teeter loss for Fiscal Year 2013-14 and subsequent years are much greater than in previous years.
- (6) Like much of southern California, the County experienced a significant real estate recession from approximately 2008 through 2012. Properties are subject to foreclosure if delinquent taxes and penalties are not paid within five years. The increase in tax losses in Fiscal Year 2015-16 coincides with sales of properties which have been delinquent since Fiscal Year 2010-11.

Source: County of Riverside.

**The General Fund**

In addition to Pledged Taxes, the Notes are payable from the County’s General Fund. For information concerning the County’s General Fund and the County’s finances, see APPENDIX A—“INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

*Alternative and Other Restricted Cash Resources.* California Government Code Section 25252 authorizes the Board of Supervisors of the County to establish and abolish funds necessary for the proper transaction of the business of the County and further provides that the Board of Supervisors may authorize the

County Auditor to perform this function. In addition, California Government Code Section 25252 authorizes the Board of Supervisors to make transfers from one fund to another as the public interest requires and further provides that the Board of Supervisors may by resolution authorize the County Auditor to make such transfers of money from one fund to another if the Board of Supervisors has authority over each such fund, as the public interest requires. Pursuant to Resolution 2010-205, adopted by the Board of Supervisors on August 10, 2010, the Board of Supervisors has authorized the County Auditor, without further approval, to make temporary transfers of money between those funds under the authority of the Board of Supervisors as the public interest may require. Additionally, the Board of Supervisors has adopted a General Fund Balance and Reserve Policy which does not preclude the use of temporary transfers of money between funds. While the County has made temporary transfers of money between funds from time to time subsequent to the adoption of Resolution 2010-205, the County has not exercised such authority with respect to any Teeter Obligations in any of the last five fiscal years.

Set forth in Table 3 below are the actual and projected alternative cash resources available to the County from the specified funds as of the dates set forth in such table. Pursuant to the authority granted in Resolution 2010-205, the County Auditor is authorized, without further Board of Supervisors approval, to transfer such moneys from one County fund to another County fund as the public interest may require, including transfers to the General Fund for the payment of the Notes. However, transfers from non-County funds, including, without limitation, the Flood Control, Perris Valley Cemetery and District Court Financing Corporation funds, would require additional action by the Board of Supervisors. There is no prescribed time period for the repayment of temporary transfers from one fund to another. The County Auditor has the authority to determine the timing of such repayments based on the needs of the respective funds.

These moneys are also available to support the payments of debt service on the Notes, though no assurance can be provided that such moneys will be available or that, even if available, they will be used to make payments on the Notes.

**TABLE 3**  
**COUNTY OF RIVERSIDE**  
**ALTERNATIVE AND OTHER RESTRICTED CASH RESOURCES**  
**(in Thousands)**

<i>Fund Type</i>	<i>Fund Purpose</i>	<i>Audited Actual Balance June 30, 2018</i>	<i>Actual/Projected Balance June 30, 2019</i>
Special Revenue	Transportation	\$ 131,555	\$ 159,476
Special Revenue	Flood Control <sup>(1)</sup>	240,363	244,295
Special Revenue	Community Services	57,312	59,917
Special Revenue	County Services Areas	23,019	23,621
Special Revenue	Other Special Revenue	20,293	21,896
Capital Project	Public Facilities	202,220	193,232
Capital Project	Crest	6,313	4,937
Capital Project	PSEC	253	253
Enterprise	County Service Areas	429	496
Enterprise	Flood Control <sup>(1)</sup>	1,103	2,179
Enterprise	Regional Medical Center	48,868	20,928
Enterprise	Federally Qualified Health Care Clinics	-	949
Enterprise	Waste Management	96,754	117,554
Internal Service	Records Management and Archive	82	66
Internal Service	Fleet Services	10,435	8,201
Internal Service	Information Services	22,103	21,307
Internal Service	Printing Services	635	42
Internal Service	Supply Services	1,844	1,918
Internal Service	Human Resources	-	-
Internal Service	Risk Management	219,871	234,323
Internal Service	Temporary Assistance Pool	863	783
Internal Service	Flood Control Equipment <sup>(1)</sup>	7,506	7,442
Internal Service	EDA Facilities Management	11,109	8,992
<b>Total Alternative Cash Resources</b>		<b>\$ 1,102,930</b>	<b>\$ 1,132,807</b>
Permanent fund	Perris Valley Cemetery	\$ 751	\$ 863
Special Revenue	Regional Park and Open-Space	11,023	10,497
Special Revenue	Air Quality Improvement	303	316
Special Revenue	In-Home Support Services	491	(558)
Special Revenue	Perris Valley Cemetery	885	968
Capital Project	Flood Control	18	18
Capital Project	Regional Park and Open-Space	4,693	2,840
Enterprise	Housing	4,043	4,043
Trust and Agency	Agency Funds	292,978	266,327
Trust and Agency	Private Purpose Trust	115,884	105,380
Debt Service	Pension Obligation	2,273	9,654
Other	Children and Families Commission	38,162	35,370
<b>Other Cash Resources of Riverside County<sup>(1)</sup></b>		<b>\$ 471,504</b>	<b>\$ 435,718</b>

<i>Fund Type</i>	<i>Audited Actual Balance June 30, 2018</i>	<i>Actual/Projected Balance June 30, 2019</i>
Alternative Cash Resources	\$ 1,102,930	\$ 1,132,807
Other Restricted Cash <sup>(1)</sup>	471,504	435,718
General Fund Unrestricted Cash	123,884	146,758
<b>All Riverside County Cash</b>	<b>\$ 1,698,318</b>	<b>\$ 1,715,283</b>

<sup>(1)</sup> Transfers from such sources require action of County Board as described herein.  
Source: County Auditor-Controller.



## CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

### Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to the County continues as part of its allocation in future years.

### Article XIII B of the State Constitution

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

Appropriations subject to limitation of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State.

Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

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

The County's appropriations limit for Fiscal Year 2018-19 was \$3,002,755,143 and the amount subject to the limitation was \$1,079,069,362. The County's appropriations limit for Fiscal Year 2019-20 is \$3,157,696,853 and the amount subject to the limitation is \$1,479,968,295.

### **Right to Vote on Taxes Initiative Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative, entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 became effective on November 6, 1996. Senate Bill 919 was enacted to provide certain implementing provisions for Proposition 218 and became effective July 1, 1997. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. This initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. However, other than any impact resulting from the exercise of this initiative power, presently the County does not believe that the potential financial impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay debt service on the Notes as and when due and its other obligations payable from the General Fund.

Article XIII C of Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two thirds voter approval for the imposition, extension or increase of special taxes, including special taxes deposited into the County's General Fund. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. The County has not enacted imposed, extended or increased any tax without voter approval since January 1, 1995. These voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to raise such taxes in the future to meet increased expenditure requirements.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge

imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not believe it is currently charging any fees which will have to be reduced or eliminated as a result of Proposition 26.

Article XIIC of Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County's General Fund.

Further, "fees" and "charges" are not defined in Article XIIC or SB 919. However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Virgil (Kelley)* (the "Bighorn Decision") that charges for ongoing water delivery are property related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the Bighorn Decision, the Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge.

The Supreme Court further stated in the Bighorn Decision that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the

risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution.

The initiative power granted under Article XIIC of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property-related. Accordingly, the scope of the initiative power under Article XIIC could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The County is unable to predict whether the courts will interpret the initiative provision to be limited to property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected.

Article XIID of Proposition 218 adds several new requirements making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas and in special districts. In most instances, in the event that the County is unable to collect assessment revenues relating to specific programs as a consequence of Proposition 218, the County will curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the County anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay debt service on the Notes as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIID of Proposition 218 also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two thirds voter approval by the electorate residing in the affected area.

The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees under Article XIID of Proposition 218 is not substantial. Accordingly, presently the County does not anticipate that any impact Proposition 218 may have on future fees and charges will adversely affect the ability of the County to pay its outstanding obligations as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

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

### **Proposition 62**

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

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

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

## **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide.

## **Assessment Appeals and Assessor Reductions**

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a "Proposition 8" appeal). Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), a county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. In a similar manner, a county assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions in previous years will be eliminated. As discussed below, from Fiscal Year 2007-08 through Fiscal Year 2014-15, the County was affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. According to the Riverside County Assessor-County Clerk-Recorder Annual Report 2018-19, in Fiscal Year 2018-19, the secured property tax roll increased by approximately 6.26% from the prior year. Assessed valuation increased by approximately 5.86% in Fiscal Year 2019-20 primarily as a result of increasing property values and sale volume. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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

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

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. Cumulatively, assessed valuation in the County declined 11% from Fiscal Year 2007-08 through Fiscal Year 2014-15 due to the County Assessor's proactive reviews. Since Fiscal Year 2014-15 there have been no additional Proposition 8 reductions of significance. To date, 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. The County Assessor reports that the assessed value of 162,303 properties in the County was reduced through Proposition 8 in Fiscal Year 2019-20 through July 2019 with approximately \$12 billion in reduced valuation. This compares to 159,593 properties and approximately \$13.9 billion in Proposition 8 reductions in Fiscal Year 2018-19 and 200,868 properties and approximately \$16.9 billion in Proposition 8 reductions in Fiscal Year 2017-18. Those adjustments are completed prior to the finalization of the roll in the summer. The vast majority of property tax appeals filed are not upheld. From Fiscal Years 2005-06 through 2018-19, the dollar amount of successful appeals ranged between approximately 3% and 4%. See APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Table 4 below sets forth the Proposition 8 assessment reductions for Fiscal Year 2012-13 through Fiscal Year 2019-20.

**TABLE 4  
COUNTY OF RIVERSIDE  
PROPOSITION 8 ASSESSMENT REDUCTIONS  
FISCAL YEARS 2012-13 THROUGH 2019-20**

<i>Fiscal Year</i>	<i>Assessments Reduced</i>	<i>Assessed Value Reduction</i>	<i>Year over Year Change</i>	<i>Cumulative Change</i>
2012-13	447,953	45,205,222,715	N/A	N/A
2013-14	395,217	38,971,444,210	(13.79)%	(13.79)%
2014-15	275,569	25,683,797,369	(34.10)	(43.18)
2015-16	229,340	21,330,137,344	(16.95)	(52.81)
2016-17	210,954	18,776,454,016	(11.97)	(58.46)
2017-18	200,868	16,920,559,776	(9.88)	(62.57)
2018-19	159,593	13,932,091,915	(17.66)	(69.18)
2019-20 <sup>(1)</sup>	162,303	12,367,966,937	(11.23)	(72.64)

<sup>(1)</sup> Reflects reductions through July 2019.  
Source: County.

**Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 1A and 22 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the County or the County’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

**STATE OF CALIFORNIA BUDGET INFORMATION**

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

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2018-19, approximately 43% of the County’s General Fund budget revenues consisted of payments from the State, and 21% consisted of payments from the Federal government. For Fiscal Year 2019-20, the County projects that approximately 44% of its General Fund budget revenues will consist of payments from the State and 20% will consist of payments from the Federal government.

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



for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

***State Budget for Fiscal Year 2019-20.*** The Governor released his proposed State budget for fiscal year 2019-20 on January 10, 2019. On May 9, 2019, the Governor released the May Revision to the Proposed 2019-20 State Budget. The Governor signed the 2019-20 State Budget on June 27, 2019 which sets forth a balanced budget for Fiscal Year 2019-2020 (the "2019-20 State Budget"). The 2019-20 State Budget notes several potential risks to California's economy, including the impact of a slowing global economy, projected slower economic and wage growth in the United States, and growing federal deficits constraining the federal government's options to address the economic slowdown.

The 2019-20 State Budget estimates that total resources available in Fiscal Year 2018-19 totaled approximately \$149.46 billion (including a prior year balance of approximately \$11.41 billion) and total expenditures in Fiscal Year 2018-19 totaled approximately \$142.69 billion. The 2019-20 State Budget projects total resources available for Fiscal Year 2019-20 of approximately \$150.58 billion (inclusive of revenues and transfers of approximately \$143.80 billion and prior year balance of approximately \$6.77 billion). The 2019-20 State Budget projects expenditures totaling \$147.78 billion (inclusive of non-Proposition 98 expenditures of approximately \$91.89 billion and Proposition 98 expenditures of approximately \$55.89 billion). The 2019-20 State Budget proposes to allocate approximately \$1.38 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.41 billion of the general fund's projected fund balance to the State's Special Fund for Economic Uncertainties. In addition, the 2019-20 State Budget estimates the Rainy Day Fund will have a fund balance of \$16.51 billion.

The impact of the 2019-20 State Budget on the County's finances cannot be fully determined at this time. The most notable components of the 2019-20 State Budget affecting counties in general include, but are not limited to, the following:

- The 2019-20 State Budget includes \$650 million in one-time funds for the construction and expansion of emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and for innovative projects like hotel/motel conversions. Counties will receive \$175 million of these funds. Combined with other targeted investments, the 2019-20 State Budget includes approximately \$1 billion to combat homelessness.
- The 2019-20 State Budget revises the county In-Home Supportive Services ("IHSS") Maintenance-of-Effort and includes an increase of \$296.8 million from the General Fund to reflect revised 1991 Realignment revenue projections and IHSS caseload and cost projections.
- The 2019-20 State Budget temporarily restores the seven-percent across-the-board reduction to IHSS service hours through December 31, 2021, due to lower than expected revenues over the forecast period and ongoing efforts to contain costs.
- The 2019-20 State Budget provides funding to assist local communities in recovering from recent wildfire devastation and becoming more resilient to future disasters. The additional investments include, but are not limited to, updates to the property tax backfills proposed in the 2019-20 State Budget and \$75 million from the General Fund to improve resiliency of the State's critical infrastructure and to provide assistance to communities, where appropriate, as specific urgent needs are identified.

- The 2019-20 State Budget includes \$87.2 million in one-time General Fund expenditures to make additional investments to upgrade and replace voting systems and technology in all 58 counties in the State.

Information about the State budget and State spending is available at various State maintained websites. Text of the Fiscal Year 2019-20 Budget and other documents related to the State budget may be found at the website of the State Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov). A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

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

### **SPECIAL RISK FACTORS**

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

#### **Limitations on Remedies; Bankruptcy**

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

Recent bankruptcies in the City of Stockton, the City of San Bernardino and the City of Detroit have brought scrutiny to municipal securities. Specifically, in the San Bernardino bankruptcy, the Court held that in the event of a municipal bankruptcy, payments on pension obligation bonds were unsecured obligations and not entitled to the same priority of payments made to the related pension system. A variety of events including, but not limited to, additional rulings adverse to the interests of bond owners in the Stockton, San Bernardino and Detroit bankruptcy cases or additional municipal bankruptcies, could prevent or materially adversely affect the rights of Owners to receive payments on the Notes in the event the County files for bankruptcy. Accordingly, in the event of bankruptcy, it is likely that Owners may not recover their principal and interest.

## **Federal Income Tax Consequences**

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

## **Loss of Tax Exemption**

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

## **Potentially Adverse Tax Legislation**

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

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

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently improving as evidenced by a decreased unemployment rate, an increase in total personal income and taxable sales, an uptick in residential building permits, an increase in the rate of home sales and the median price of single-family homes and condominiums and a decrease in notices of default on mortgage loans secured by homes and condominiums. A future deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to pay the principal of and interest on the Notes when due or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A—"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

## **VALIDATION**

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

## LITIGATION

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

## TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and interest on the Notes is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service ("IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Series A Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Notes") will be treated as having amortizable bond premium, subject to a different election under Internal Revenue Notice 94-84. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Noteholder's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Noteholder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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

Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events, or matters.

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Noteholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

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

## RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "\_\_\_\_\_" and "\_\_\_\_\_" respectively, to the Notes. Such ratings reflect only the views of such rating organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Fitch, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an

adverse effect on the market price of the Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The County has covenanted in the Disclosure Certificate to file on EMMA notices of any rating changes on the Notes. See the caption "CONTINUING DISCLOSURE" below and APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." Notwithstanding such covenant, information relating to rating changes on the Notes may be publicly available from the rating agencies prior to such information being provided to the County and prior to the date the County is obligated to file a notice of rating change on EMMA. Purchasers of the Notes are directed to the rating agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Notes, if any, after the initial issuance of the Notes.

### MUNICIPAL ADVISOR

Columbia Capital Management, LLC, Glendale, California, has served as the Municipal Advisor to the County in connection with the execution and delivery of the Notes. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

### UNDERWRITING

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the underwriters of the Notes, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Notes. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Notes with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Notes. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial

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

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

### **FINANCIAL STATEMENTS**

The general purpose financial statements of the County, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Brown Armstrong Certified Public Accountants, independent certified public accountants, as stated in their report appearing in Appendix B. Brown Armstrong Certified Public Accountants has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 19, 2018. See APPENDIX B—"COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018" attached hereto.

### **CONTINUING DISCLOSURE**

Pursuant to the Resolution, the County has covenanted for the benefit of the Owners and beneficial owners of the Notes to comply with Securities and Exchange Commission Rule 15c2 12(b)(5) (the "Rule") and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding certain listed events, if any such events should occur, to the owners of the Notes and to EMMA, or any successor thereto, during the term of the Notes. In addition, the County has covenanted to provide updated quarterly cash flow information within 60 days of the end of each fiscal quarter, beginning with the fiscal quarter ending September 30, 2019. See APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with the Rule.

The County's obligations under the Disclosure Certificate terminate upon (i) payment in full of all of the Notes or (ii) in the event that the County receives an opinion of nationally recognized bond counsel, to the effect that those portions of SEC Rule 15c2 12(b)(5) (the "Rule") which require the Disclosure Certificate do not or no longer apply to the Notes. These covenants have been made in order to assist the Underwriters in complying with the Rule. See APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Within the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide timely significant event notices, most often with respect to changes in the ratings of outstanding indebtedness, and primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; (ii) missing, incomplete or late filing of annual or quarterly reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County; and in all of the cases where a notice of failure to file was required to be filed, no notice of failure to file such information was provided. The County and its related entities have reviewed their previous filings and have made corrective

filings where material, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County's General Fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports. The County continues to review its procedures to ensure continued compliance with the Rule.

The County was advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's (the "SEC") Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over thirty bond issues of the County and related issuers. In connection with such self-reporting, on March 3, 2017, the SEC notified the County that, as of the date of such notice, the SEC did not intend to recommend any enforcement action by the SEC against the County.

#### **CERTAIN LEGAL MATTERS**

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

#### **MISCELLANEOUS**

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the County since the date hereof. Copies of the Resolution are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Executive Officer.

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

COUNTY OF RIVERSIDE

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



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

**APPENDIX B**

**COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

[TO COME]

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County") in connection with the issuance by the County of its \$ \_\_\_\_\_ Teeter Plan Obligation Notes, 2019 Series A (Tax Exempt) (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County on July 29, 1997 and ratified, confirmed and modified on November 4, 1997, as amended and supplemented on August 18, 1998, on September 7, 1999, on September 26, 2000, on September 11, 2001, on October 8, 2002, on October 21, 2003, on October 26, 2004, on December 6, 2005, on October 17, 2006, on October 30, 2007, on November 18, 2008, on November 24, 2009, on September 14, 2010, on September 27, 2011, on September 11, 2012, on September 10, 2013, on September 9, 2014, on September 15, 2015, on September 13, 2016, on September 12, 2017, on September 18, 2018 and on September 24, 2019 (collectively, the "Resolution"). The County covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Notes and to assist the Participating Underwriters in complying with the Rule.

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

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note (including persons holding a Note through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Note for federal income tax purposes.

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

"Financial Obligations" means (i) debt obligations, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, existing or planned debt obligations, or (iii) guarantee of (i) or (ii) above; but excluding municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Certificate.

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

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

"Quarterly Report" means any Quarterly Report of the County provided by the County pursuant to and as described in Section 3 of this Certificate.

"Repository" shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the end of the fiscal quarters ending September 30, 2019, December 31, 2019, March 31, 2020 and June 30, 2020 provide to the Repository, in such format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information, copies of the Quarterly Report of the County, which is consistent with the requirements of subsection (b) below. Each Quarterly Report may include by reference other information as required by this Certificate. The County shall provide a written certification with each Quarterly Report filed with the Dissemination Agent to the effect that such Quarterly Report constitutes the Quarterly Report required to be submitted by the County hereunder. The Dissemination Agent may conclusively rely upon such certification of the County.

(b) The County’s Quarterly Report shall contain or include by reference information regarding the County’s cash flow in the fiscal quarter most recently ended, including comparative information to the projected cash flow included in the Official Statement.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine prior to the date for providing the Quarterly Report the name and address of the Repository; and

(ii) if the Quarterly Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Quarterly Report has been provided pursuant to this Certificate, stating the date it was provided.

SECTION 4. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 4, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes not less than 10 business days after the event:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(vii) modifications to the rights of Owners of the Notes, if material;

(viii) bond calls, if material, and tender offers;

- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Note, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the County;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a Financial Obligation of the County, if material, or amendment to covenants, events of defaults, remedies, priority rights, or other terms of a Financial Obligation of the County, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, listed under Subsection (a)(ii), (vi) (except for adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, for which no materiality determination is required), (vii), (viii) (except for tender offers, for which no materiality determination is required), (x), (xiii) or (xiv) the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event listed under Subsection (a)(ii), (vi) (except for adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, for which no materiality determination is required), (vii), (viii) (except for tender offers, for which no materiality determination is required), (x), (xiii) or (xiv) would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the MSRB and the Repository not more than 10 business days following the event. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Note pursuant to the Resolution.

SECTION 5. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the County shall give notice of such termination in the same manner as for a Listed Event under Section 4(c).

SECTION 6. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3 or subsection 4(a) it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules and regulations) or interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by a majority of the Owners of the Notes, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in its next Quarterly Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Quarterly Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution with respect to the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information to the Dissemination Agent as required by this Disclosure Certificate. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any County Audited Financial Statements, Listed Events or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Notes or any other party. The Dissemination Agent shall have no responsibility for the County's failure to report a Listed Event to the Dissemination Agent. The

Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Certificate. The Dissemination Agent may conclusively rely upon certifications of the County at all times. The County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption, or payment of the Notes.

The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the County.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Owners and Beneficial Owners from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 12. Governing Law. This Disclosure Certificate shall be governed by the laws of the State of California and the federal securities laws.

Dated: \_\_\_\_\_, 2019

COUNTY OF RIVERSIDE

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



**EXHIBIT A**

**FORM OF NOTICE TO REPOSITORIES  
OF FAILURE TO FILE REPORT**

Name of Issuer: County of Riverside, California

Name of Bond Issue: \$ \_\_\_\_\_ County of Riverside Teeter Plan Obligations Notes, 2019 Series A  
(Tax-Exempt)

Issuance Date: \_\_\_\_\_, 2019

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Quarterly Report with respect to the above-named Notes as required by Section 3 of the Continuing Disclosure Certificate executed and delivered by the County. [The County anticipates that such report will be filed by \_\_\_\_\_].

Dated:

COUNTY OF RIVERSIDE

By \_\_\_\_\_  
Authorized Officer

## APPENDIX E

### BOOK-ENTRY ONLY SYSTEM

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, premium, if any, accreted value and interest on the Notes to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested

by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal, redemption price and interest payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to tender/remarketing agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to tender/remarketing agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to tender/remarketing agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

**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.

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

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

<i>City</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>
Banning	30,456	30,497	30,914	30,950	31,044
Beaumont	42,937	44,746	45,167	46,545	48,401
Blythe	18,889	19,338	19,356	19,651	19,428
Calimesa	8,421	8,487	8,805	9,080	9,159
Canyon Lake	10,953	11,021	11,138	11,213	11,285
Cathedral City	53,158	53,448	53,946	54,466	54,907
Coachella	44,291	44,836	45,537	45,777	46,351
Corona	161,299	162,819	165,427	167,013	168,101
Desert Hot Springs	28,315	28,564	28,645	29,102	29,251
Eastvale	60,833	62,912	64,683	65,725	66,078
Hemet	82,161	82,503	87,033	84,423	84,754
Indian Wells	5,228	5,307	5,342	5,389	5,445
Indio	84,539	85,583	87,033	88,194	89,406
Jurupa Valley	99,067	100,683	102,392	104,661	106,318
Lake Elsinore	58,768	60,760	61,433	62,241	62,949
La Quinta	40,105	40,269	41,029	41,753	42,098
Menifee	86,018	87,943	89,113	90,775	93,452
Moreno Valley	201,346	203,216	203,934	206,046	208,297
Murrieta	111,029	113,087	116,527	116,970	118,125
Norco	26,049	26,560	26,527	26,464	26,386
Palm Desert	51,675	51,768	52,705	53,298	53,625
Palm Springs	46,806	47,103	47,885	48,390	48,733
Perris	73,360	75,113	75,659	76,260	76,971
Rancho Mirage	17,999	18,221	18,223	18,297	18,489
Riverside	318,914	321,723	323,934	326,270	328,101
San Jacinto	46,199	46,778	47,053	47,607	48,878
Temecula	109,393	110,474	112,170	113,248	113,826
Wildomar	34,416	34,948	35,261	35,635	36,066
<b>TOTALS</b>					
Incorporated	1,952,624	1,978,707	2,003,640	2,025,443	2,045,924
Unincorporated	369,213	372,285	381,020	387,093	394,200
County-Wide	<u>2,321,837</u>	<u>2,350,992</u>	<u>2,384,660</u>	<u>2,412,536</u>	<u>2,440,124</u>
California	38,952,462	39,214,803	39,504,609	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,

finances, 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<sup>(1)</sup>**

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

<sup>(1)</sup> Estimated, as of January 1 of each year.

<sup>(2)</sup> 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 Metropolitan Statistical Area ("MSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment. The number of employed persons in the MSA by industry is set forth in the following table.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY<sup>(1)</sup> (In Thousands)

<i>Industry</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Agriculture	14.4	14.8	14.6	14.5	14.5
Construction	77.6	85.7	92.0	97.4	104.8
Finance Activities	42.9	44.0	44.6	44.2	43.7
Government	228.8	233.3	242.3	251.0	257.5
Manufacturing:	91.4	96.2	98.7	99.2	101.3
Nondurables	31.2	33.1	34.3	35.2	36.2
Durables	60.2	63.1	64.4	64.1	65.1
Mining & Logging	1.3	1.3	0.9	1.0	1.2
Retail Trade	169.6	174.4	178.3	180.9	180.8
Professional and Business Services	138.7	147.4	144.9	146.9	150.6
Education and Health Services	195.9	206.3	215.7	226.7	240.0
Leisure & Hospitality	144.8	151.7	160.2	166.3	170.0
Other Services	43.0	44.0	44.6	45.4	45.6
Transportation, Warehousing and Utilities	87.1	98.1	108.0	122.1	132.6
Wholesale Trade	58.1	60.5	61.6	62.6	64.9
Information	11.3	11.4	11.5	11.3	11.2
Total, All Industries	<u>1,304.8</u>	<u>1,369.1</u>	<u>1,417.9</u>	<u>1,469.4</u>	<u>1,518.7</u>

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

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

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<sup>(1)</sup>  
(AS OF JUNE 30, 2018)**

<i>Company Name</i>	<i>Product/Service</i>	<i>No. of Local Employees</i>
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

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

	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019<sup>(2)</sup></i>
County <sup>(1)</sup>	8.2%	6.7%	6.1%	5.2%	4.4%	4.4%
California <sup>(1)</sup>	7.5	6.2	5.5	4.8	4.2	4.1
United States <sup>(3)</sup>	6.2	5.3	4.9	4.4	3.9	3.7

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

<sup>(2)</sup> Unemployment rate information is for June 2019.

<sup>(3)</sup> Data is seasonally adjusted.

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



## Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also 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 2014 through 2018, the last year being the most recent full year of which annual data is currently available. Industry level data for 2015 through 2018 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)

	<i>2014</i>			
Motor Vehicles and Parts Dealers				\$ 4,417,943
Furniture and Home Furnishings				520,393
Electronics and Appliances Stores				510,061
Building Materials, Garden Equipment and Supplies				1,706,183
Food and Beverage Stores				1,509,403
Health and Personal Care Stores				544,958
Gasoline Stations				3,426,830
Clothing and Clothing Accessories Stores				1,989,623
Sporting Goods, Hobby, Book and Music Stores				519,188
General Merchandise Stores				3,289,057
Miscellaneous Store Retailers				809,032
Nonstore Retailers				309,809
Food Services and Drinking Places				3,093,862
Total Retail and Food Services				<u>\$ 22,646,343</u>
All Other Outlets				<u>9,389,345</u>
Total All Outlets				<u>\$ 32,035,687</u>

	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Motor Vehicles and Parts Dealers	\$ 4,841,615	\$ 5,047,534	\$ 5,348,812	\$ 5,407,139
Home Furnishings and Appliance Stores	1,135,235	1,386,985	1,730,566	1,962,650
Building Materials, Garden Equip. & Supplies Dealers	1,826,294	1,965,101	2,161,593	2,346,508
Food and Beverage Stores	1,553,789	1,574,030	1,666,856	1,790,507
Gasoline Stations	3,025,287	2,704,278	2,933,668	3,381,768
Clothing and Clothing Accessories Stores	2,136,728	2,190,228	2,199,517	2,315,433
General Merchandise Stores	2,295,994	3,304,959	3,375,623	3,560,755
Food Services and Drinking Places	3,384,494	3,648,980	3,852,753	4,004,657
Other Retail Group	2,338,039	2,452,591	2,586,954	3,273,276
Total Retail and Food Services	<u>\$ 23,537,475</u>	<u>\$ 24,274,686</u>	<u>\$ 25,856,341</u>	<u>\$ 28,042,692</u>
All Other Outlets	<u>9,629,186</u>	<u>10,209,008</u>	<u>10,551,119</u>	<u>10,876,806</u>
Total All Outlets	<u>\$ 33,166,660</u>	<u>\$ 34,483,694</u>	<u>\$ 36,407,460</u>	<u>\$ 38,919,498</u>

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
<b>RESIDENTIAL</b>					
New Single-Family	\$ 1,296,553	\$ 1,313,084	\$ 1,526,768	\$ 1,670,542	\$ 2,200,021
New Multi-Family	178,117	110,458	106,292	109,309	232,706
Alterations and Adjustments	147,081	113,200	126,475	123,567	125,353
<b>Total Residential</b>	<u>\$ 1,621,751</u>	<u>\$ 1,536,742</u>	<u>\$ 1,759,535</u>	<u>\$ 1,903,418</u>	<u>\$ 2,558,080</u>
<b>NON-RESIDENTIAL</b>					
New Commercial <sup>(1)</sup>	\$ 184,138	\$ 189,994	\$ 540,447	\$ 522,769	\$ 703,977
New Industrial	161,321	180,521	59,439	410,275	529,326
Other Buildings <sup>(2)</sup>	142,204	226,346	374,917	136,935	410,606
Alterations & Additions	327,327	314,604	371,216	363,711	315,771
<b>Total Nonresidential</b>	<u>\$ 814,990</u>	<u>\$ 911,465</u>	<u>\$ 1,346,020</u>	<u>\$ 1,433,690</u>	<u>\$ 1,959,680</u>
<b>TOTAL ALL BUILDING</b>	<u>\$ 2,436,741</u>	<u>\$ 2,448,207</u>	<u>\$ 3,105,554</u>	<u>\$ 3,337,108</u>	<u>\$ 4,517,760</u>

(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.

Source: California Homebuilding Foundation.

### COUNTY OF RIVERSIDE NUMBER OF NEW DWELLING UNITS

	2014	2015	2016	2017	2018
Single Family	5,007	5,007	5,662	6,265	7,540
Multi-Family	1,931	1,189	897	1,070	1,628
<b>TOTAL</b>	<u>6,938</u>	<u>6,196</u>	<u>6,559</u>	<u>7,335</u>	<u>9,168</u>

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**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
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

<sup>(1)</sup> 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**

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California<sup>(1)</sup></i>
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

<sup>(1)</sup> 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**

	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
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	<u>\$ 1,327,804,000</u>	<u>\$ 1,362,016,000</u>	<u>\$ 1,313,650,000</u>	<u>\$ 1,275,776,000</u>	<u>\$ 1,218,522,000</u>

Source: Riverside County Agricultural Commissioner.

**Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest 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, Ventura, San Diego 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. Eleven 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**

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

## FINANCIAL INFORMATION

### Budgetary Process and Budget

Under the California Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. An adopted budget reflecting any revisions to the recommended budget must be approved by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

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

**Five-Year Forecast.** To ensure prudent financial management, the County maintains a five-year budget forecast (the “County Budget Forecast”) based on conservative revenue assumptions derived internally and from information provided by external consultants, including projections in the out years for labor and pension increases. 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 departmental reserves and departmental fund transfers to balance the Fiscal Year 2019-20 budget, adopted by the Board of Supervisors on June 25, 2019 (the “Adopted Budget”). Factors driving cost increases include increasing general assistance, health system contributions, pension costs, inmate health care expenses and labor concessions. See “– Retirement Program” and “– Labor Relations.” The County has a number of strategies to address these challenges, such as targeted reductions to the net County cost, keeping new requests to a minimum, identifying one-time revenues and reducing vacant full-time positions. In addition, the hiring freezes that the County Executive Office instituted in January 2018 are ongoing, and the County is committed to limited cost-of-living adjustments after the expiration of the current labor contracts. 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 2022-23 toward restoration of such reserves to the target level of 25% of revenues set by the Board of Supervisors. Furthermore, the County Budget Forecast provides that one-time revenues are to be applied towards the rebuilding of reserves or mission critical one-time costs and assumes that budgetary shortfalls will not be

backfilled with discretionary revenues. The County Budget Forecast projects a minimum reserve level of \$150 million through the forecast period.

### **Fiscal Year 2019-20 Budget**

On June 25, 2019, the Board of Supervisors approved the Adopted Budget. The Adopted Budget includes total General Fund appropriations of approximately \$3.5 billion. For Fiscal Year 2019-20, the County estimates that approximately 64% 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 \$837 million for Fiscal Year 2019-20, an increase of approximately 4.7% from the Fiscal Year 2018-19 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 \$857.5 million. The \$20.5 million gap between discretionary revenue and discretionary spending is covered by the use of reserves. Property tax revenue is budgeted at approximately \$390.6 million (including \$116.5 million in redevelopment tax increment pass-through funds) for Fiscal Year 2019-20, and represents approximately 47% of the County's discretionary revenue. Property tax estimates assumed an increase in assessed valuation in Fiscal Year 2019-20 of 5% from Fiscal Year 2018-19. The County's reserve balance at the beginning of Fiscal Year 2019-20 is projected at approximately \$212 million, approximately \$3 million above the County's reserve policy. As part of the County Executive Office's corrective action plan to bring their overall performance in line with the Adopted Budget, the County Executive Office continues to engage in analyses and discussions with the various County departments to maximize the use of available resources and identify and implement steps necessary to align their spending with their allocated net County cost. For example, the County Executive Office engages in monthly revenue and expenditure monitoring and formal quarterly Board of Supervisors updates and actions. Additionally, the County has implemented and regularly reviews and updates its investment policies and policies related to debt and pension management. Furthermore, the County Executive Office has specifically instructed departments expecting budget shortfalls to provide monthly departmental updates and action plans. To keep discretionary spending within the reserve limits and continue to meet the priorities established by the Board of Supervisors, the Adopted Budget implements targeted reductions of approximately 2.5%.

### **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 \$81.0 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<sup>(1)</sup>  
FISCAL YEARS 2015-16 THROUGH 2019-20  
(IN MILLIONS)**

	<i>2015-16 Budget</i>	<i>2016-17 Budget</i>	<i>2017-18 Budget</i>	<i>2018-19 Budget</i>	<i>2019-20 Budget<sup>(3)</sup></i>
<b>REQUIREMENTS</b>					
General Government	\$216.1	\$209.1	\$ 220.4	\$155.8	\$158.4
Public Protection	1,276.2	1,345.7	1,379.1	1,445.6	1,513.4
Health and Sanitation	562.3	534.9	601.1	678.8	737.2
Public Assistance	1,004.8	1,003.8	996.0	1,002.5	1,049.4
Education	0.7	0.7	0.7	0.7	0.0
Recreation and Cultural	0.3	0.5	0.5	0.5	2.2
Debt Retirement-Capital Leases	4.7	5.1	10.6	10.5	14.5
Contingencies	36.5	20.0	20.0	14.9	20.0
Increase to Reserves	2.0	0.0	0.0	0.0	0.0
<b>Total Requirements<sup>(2)</sup></b>	<b>\$3,100.8</b>	<b>\$3,119.8</b>	<b>\$3,228.4</b>	<b>\$3,309.3</b>	<b>\$3,495.1</b>
<b>AVAILABLE FUNDS</b>					
Use of Fund Balance and Reserves	\$76.8	\$67.7	\$84.9	\$0.0	\$0.0
Estimated Revenues:					
Property Taxes	280.2	300.9	303.0	313.4	333.9
Other Taxes	25.0	24.0	21.0	3.4	4.6
Licenses, Permits and Franchises	17.5	18.3	18.1	19.1	20.8
Fines, Forfeitures and Penalties	44.4	39.5	38.4	60.1	62.5
Use of Money and Properties	16.6	10.5	11.4	26.5	28.2
Aid from Other Governmental Agencies:					
State	1,356.1	1,357.4	1,407.1	1,462.5	1,547.7
Federal	615.3	634.1	627.5	681.6	718.8
Charges for Current Services	528.9	523.4	562.7	596.1	627.3
Other Revenues	139.9	144.0	154.3	152.7	167.6
<b>Total Available Funds<sup>(2)</sup></b>	<b>\$3,100.8</b>	<b>\$3,119.8</b>	<b>\$3,228.4</b>	<b>\$3,315.4</b>	<b>\$3,511.4</b>

(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 2019-20 Recommended Budget. As of August 1, 2019, data for the Adopted Budget had not yet been compiled.

Source: County Auditor-Controller.



## Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2019, the portfolio assets comprising the PIF had a market value of \$6,838,812,308.82

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 PIF, while approximately 19.38% of the total funds on deposit in the PIF 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 June 30, 2019 were as follows (numbers may not add up due to rounding of individual components):

	<i>Balance</i>	<i>% of Pool</i>
U.S. Treasury Securities	\$ 584,231,554.45	8.577%
Federal Agency Securities	3,865,922,356.83	56.758
Cash Equivalent & Money Market Funds	889,023,976.03	13.052
Commercial Paper	914,812,216.98	13.431
NCD	35,000,000.00	0.514
Medium Term Notes	288,841,412.34	4.241
Municipal Notes	233,302,074.65	3.425
Certificates of Deposits	-	-
Repurchase Agreements	-	-
Local Agency Obligations <sup>(1)</sup>	<u>80,000.00</u>	<u>0.001</u>
Total Book Value	<u>\$ 6,811,213,591.28</u>	<u>100.00%</u>
Book Yield:		2.320%
Weighted Average Maturity:		1.057 Years

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

As of June 30, 2019, the market value of the PIF was 100.41% 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<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>Secured Property Tax Levy</i>	<i>Current Levy Delinquent June 30</i>	<i>Percentage of Current Taxes Delinquent June 30<sup>(2)</sup></i>	<i>Total Collections<sup>(3)</sup></i>	<i>Percentage of Total Collections to Current Levy<sup>(3)</sup></i>
2007-08	\$2,964,341,768	\$255,672,935	8.62%	\$2,928,205,634	98.78%
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,809,408,918	104.96
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
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	1.52	3,152,661,477	104.59
2015-16	3,205,453,157	45,956,538	1.43	3,328,995,827	103.85
2016-17	3,368,109,165	45,522,477	1.35	3,496,857,648	103.82
2017-18	3,565,210,050	42,580,125	1.19	3,679,787,833	103.21
2018-19	3,762,000,301	N/A	N/A	3,768,906,901 <sup>(4)</sup>	100.18

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

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

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

<sup>(4)</sup> As of August 1, 2019.

Source: County Auditor-Controller.

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

<i>Fiscal Year</i>	<i>Unsecured Property Tax Levy</i>	<i>Total Collections<sup>(2)</sup></i>	<i>Percentage of Total Collections to Original Levy<sup>(2)</sup></i>
2007-08	\$79,265,231	\$75,578,154	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	104,905,609	108.08
2019-20	103,243,149	N/A	N/A

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

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

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 2008-09 THROUGH 2018-19**

<i>Fiscal Year</i>	<i>Tax Levy for Increased Assessments<sup>(1),(2),(3)</sup></i>	<i>Refunds for Decreased Assessments<sup>(1),(3)</sup></i>	<i>Net Supplemental Tax Levy<sup>(2)</sup></i>	<i>Collections<sup>(1),(2)</sup></i>
2008-09	\$60,817,712	\$46,478,150	\$14,339,562	\$74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) <sup>(4)</sup>	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,096
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	52,402,356 <sup>(5)</sup>	3,236,791	49,165,564	62,884,988 <sup>(6)</sup>

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

(5) Tax levy is lower as compared to prior year (FY 2017-18) due to the new property tax system stabilization phase for the Assessor, Tax Collector and Auditor which delayed the processing of payments.

(6) Collections are higher than supplemental levy as collections came from current year and prior year billings.

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 2015-16 through Fiscal Year 2019-20:

**COUNTY OF RIVERSIDE**  
**ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>**  
**FISCAL YEARS 2015-16 THROUGH 2019-20**  
**(IN MILLIONS)**

<i>Category</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>
<b>SECURED PROPERTY:</b>					
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	<u>\$ 225,629</u>	<u>\$ 238,978</u>	<u>\$ 251,718</u>	<u>\$ 265,458</u>	<u>\$ 282,108</u>
<b>UNSECURED PROPERTY:</b>					
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 <sup>(2)</sup>	<u>\$ 7,427</u>	<u>\$ 7,481</u>	<u>\$ 7,956</u>	<u>\$ 8,076</u>	<u>\$ 8,864</u>
<b>GRAND TOTAL</b>	<u>\$ 233,056</u>	<u>\$ 246,459</u>	<u>\$ 259,674</u>	<u>\$ 273,534</u>	<u>\$ 290,972</u>

<sup>(1)</sup> Assessed valuation is reported as of August 20 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975-76 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.

<sup>(2)</sup> 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 2015-16, 2016-17 and 2017-18, 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 2015-16 to 2016-17 by approximately 5.08%, from Fiscal Year 2016-17 to 2017-18 by approximately 5.53%, from Fiscal Year 2017-18 to 2018-19 by approximately 6.26% and from Fiscal Year 2018-19 to 2019-20 by 5.86%.

**Property Tax Appeals.** The County has received assessment appeals applicable to Fiscal Year 2018-19 totaling approximately \$13.2 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 \$238 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 \$2,380,000 in general purpose taxes over the two-fiscal year period. Approximately 17% 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**

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

**Largest Taxpayers**

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

**COUNTY OF RIVERSIDE  
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2018-19  
BY TAX LEVIED<sup>(1)</sup>**

<i>Taxpayer</i>	<i>Total Taxes Levied</i>	<i>Percentage of Total Tax Charge</i>
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
<b>Total</b>	<b>\$146,452,671.39</b>	<b>3.69%</b>
<b>Total Tax Charge for 2018-19</b>	<b>\$3,964,218,042.50</b>	

<sup>(1)</sup> Includes secured, unsecured and State-assessed property.  
Source: County Treasurer and Tax Collector.

The 10 largest property owners in the County by assessed value for all properties, for Fiscal Year 2018-19 are shown below:

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

<i>Assessee</i>	<i>Assessed Value</i>
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 <sup>(1)</sup>

<sup>(1)</sup> Excludes State-assessed property. Does not reflect any applicable exemptions.  
Source: County Assessor.

**Other Taxing Entities**

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2018-19, the County retained approximately 18% of the total amount collected (and is budgeted to retain 18% in Fiscal Year 2019-20). 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 2009-10 through 2019-20.

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 2009-10 THROUGH 2019-20**

<i>Fiscal Year</i>	<i>Frozen Base Value</i>	<i>Full Cash Value Increments<sup>(1)</sup></i>	<i>Total Tax Allocations<sup>(2),(3)</sup></i>
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	78,924,407,941	791,450,294 <sup>(3)</sup>
2019-20	16,352,657,201	83,477,453,979 <sup>(4)</sup>	837,178,094 <sup>(5)</sup>

(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) Total tax allocation for redevelopment appears lower because majority of redevelopment debt service is distributed directly to the district thru the Secured distributions.

(4) Calculated based on estimated full cash value increment including State Assessed properties; has not been adjusted for negative project area increment.

(5) Includes estimated general purpose and debt service included in RPTTF distribution; excludes negative treatment redevelopment projects.

Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$3,971,824,734, and a Fiscal Year 2011-12 assessed value of \$8,266,787,927. In Fiscal Year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled \$1,600,443, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. As the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. Through June 2019, the County received approximately \$9,500,355 in residual funds for Fiscal Year 2018-19.

In Fiscal Years 2016-17 and 2017-18, the County received approximately \$102,159,372 and \$107,150,638 million respectively, in pass-through payments pursuant to agreements with various city

redevelopment agencies. The County received approximately \$112,992,113 million in Fiscal Year 2018-19 and is projected to receive approximately \$116 million in Fiscal Year 2019-20. 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 unmaturing 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 <sup>(1)</sup>	\$ 395,389	\$ 371,510	\$ 348,231
<b>REVENUES</b>					
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 and 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
<b>TOTAL REVENUES</b>	<b>\$2,462,759</b>	<b>\$2,702,857</b>	<b>\$2,783,311</b>	<b>\$2,881,016</b>	<b>\$2,979,817</b>
<b>EXPENDITURES</b>					
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	54,529 <sup>(2)</sup>	11,829	64,289 <sup>(3)</sup>	6,486
Debt service	15,475	12,877	20,755	12,558	17,357
<b>TOTAL EXPENDITURES</b>	<b>\$2,453,293</b>	<b>\$2,711,043</b>	<b>\$2,791,357</b>	<b>\$2,943,055</b>	<b>\$2,944,844</b>
Excess (deficit) of revenues over (under) expenditures	9,466	(8,186)	(8,046)	(62,039)	34,973
<b>OTHER FINANCING SOURCES (USES)</b>					
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 <sup>(2)</sup>	11,829	64,289 <sup>(3)</sup>	6,486
<b>Total other Financing Sources (Uses)</b>	<b>\$ (3,039)</b>	<b>\$ 38,899</b>	<b>\$ (15,833)</b>	<b>\$ 38,760</b>	<b>\$ (13,622)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 6,427</b>	<b>\$ 30,713</b>	<b>\$ (23,879)</b>	<b>\$ (23,279)</b>	<b>\$ 21,351</b>
<b>FUND BALANCE, END OF YEAR<sup>(1)</sup></b>	<b>\$ 363,676</b>	<b>\$ 395,389</b>	<b>\$ 371,510</b>	<b>\$ 348,231</b>	<b>\$ 369,582</b>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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
<b>ASSETS:</b>					
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
<b>Total Assets</b>	<b>\$853,652</b>	<b>\$852,181</b>	<b>\$858,159</b>	<b>\$ 867,989</b>	<b>\$947,091</b>
<b>LIABILITIES:</b>					
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
<b>Total Liabilities</b>	<b>\$489,976</b>	<b>\$456,792</b>	<b>\$486,649</b>	<b>\$468,196</b>	<b>\$525,673</b>
Deferred Inflows of Resources	\$65,929	\$48,535	\$50,155	\$51,562	\$51,836
<b>FUND BALANCES:</b>					
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
<b>Fund Balances</b>	<b>\$363,676</b>	<b>\$395,389</b>	<b>\$ 371,510</b>	<b>\$ 348,231</b>	<b>\$369,582</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$853,652</b>	<b>\$852,181</b>	<b>\$ 858,159</b>	<b>\$ 867,989</b>	<b>\$947,091</b>

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)**

	<i>Reserved</i>	<i>Unreserved</i>					<i>Total</i>
2009	\$ 91,196	\$280,925					\$372,121
2010	90,374	296,112					386,486
	<i>Nonspendable</i>	<i>Restricted</i>	<i>Committed</i>	<i>Assigned</i>	<i>Unassigned</i>		
2011 <sup>(1)</sup>	\$ 2,214	\$ 98,552	\$ 50,097	\$ 3,463	\$189,236	\$343,562	
2012	1,834	101,651	52,439	8,764	171,910	336,598	
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	

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

Source: County Auditor-Controller.

**Short-Term Obligations of County**

On July 1, 2019, the County issued its 2019 Tax and Revenue Anticipation Note (the "2019 TRAN") in the principal amount of \$340,000,000 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 contributions. The 2019 TRAN is due on June 30, 2020. The 2019 TRAN is 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. Delinquent property taxes attributable to prior Fiscal Years are included in the Pledged Taxes pledged to the payment of the Notes and are not available to pay debt service on the 2019 TRAN. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

The County issued its 2019 Tax and Revenue Anticipation Note (the "2019 TRAN") in the principal amount of \$340,000,000 on July 1, 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 contributions. 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.

On October 24, 2018, the County issued its 2018 Series A Teeter Obligation Notes (Tax-Exempt) (the "2018 Series A Notes") in the original aggregate principal amount of \$74,190,000. The 2018 Series A Notes mature on October 24, 2019 and are payable from delinquent property taxes. Taxes attributable to Fiscal Year 2018-19, which are pledged to the payment of the 2019 TRAN, are not pledged to the 2018 Series A Notes. It is expected that the 2018 Series A Notes will be paid from the proceeds of the Notes, together with delinquent taxes received through June 30, 2019.

**Long-Term Obligations of County**

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of September 1, 2019, the County had \$760,056,211 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.

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 September 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 SEPTEMBER 1, 2019)**

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

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/19</u>
Metropolitan Water District	6.345%	\$ 3,048,773
Community College Districts	1.212-100.	760,215,864
Unified School Districts	1.220-100.	2,865,271,772
Perris Union High School District	100.	246,840,871
Elementary School Districts	100.	131,467,028
City of Riverside	100.	7,795,000
Eastern Municipal Water District Improvement Districts	100.	30,285,000
Riverside County Flood Control, Zone 4 Benefit Assessment District	100.	12,530,000
San Geronio Memorial Hospital District	100.	106,565,000
Community Facilities Districts	50.225-100.	2,938,737,026
Riverside County 1915 Act Bonds	100.	1,245,000
City and Special District 1915 Act Bonds (Estimated)	100.	<u>183,566,592</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$7,317,567,926</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
<b>Riverside County General Fund Obligations</b>	<b>100.</b>	<b>\$760,056,211<sup>(1)</sup></b>
<b>Riverside County Pension Obligations</b>	<b>100.</b>	<b>243,850,000</b>
School Districts General Fund and Lease Tax Obligations	1.220-100.	520,866,531
City of Corona General Fund Obligations	100.	36,171,865
City of Moreno Valley General Fund Obligations	100.	80,365,000
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.	122,475,685
City of Riverside Certificates of Participation	100.	217,284,685
City of Riverside Pension Obligation Bonds	100.	66,120,000
Other City General Fund Obligations	100.	80,776,005
Other Special District Certificates of Participation	100.	<u>9,708,572</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,190,354,395</b>
Less: <b>Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)</b>		<u><b>1,737,100</b></u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$2,188,617,295</b>
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>		<b>\$2,186,587,154</b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b>\$11,694,509,475<sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$11,692,772,375</b>

(1) Excludes the Notes.

(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%
<b>Combined Gross Direct Debt (\$1,003,906,211).....</b>	<b>0.36%</b>
<b>Combined Net Direct Debt (\$1,002,169,111).....</b>	<b>0.36%</b>
Gross Combined Total Debt .....	4.09%
Net Combined Total Debt.....	4.09%

Ratios to Successor Agency Redevelopment Incremental Valuation (\$78,931,108,121):

Total Overlapping Tax Increment Debt .....	2.77%
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## **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 August 1, 2019. In addition, as discussed below under "— Facilities Lease Agreements," the County has other substantial lease obligations payable from the General Fund.



**COUNTY OF RIVERSIDE  
SUMMARY OF PUBLICLY OFFERED LEASE RENTAL OBLIGATIONS  
(PAYABLE FROM THE COUNTY'S GENERAL FUND — (AS OF AUGUST 1, 2019))**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Outstanding Obligations</i>	<i>Annual Base Rental</i>
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 <sup>(1)</sup>	2029	90,530,000	31,135,000	\$ 20,750,400 <sup>(1)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	1,500,000	803,500 <sup>(2)</sup>
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) <sup>(3)</sup>	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 <sup>(4)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A <sup>(5)</sup>	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) <sup>(6)</sup>	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) <sup>(7)</sup>	2031	33,360,000	24,460,000	2,503,000
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds) <sup>(8)</sup>	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) <sup>(9)</sup>	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) <sup>(10)</sup>	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) <sup>(11)</sup>	2031	39,985,000	35,845,000	3,484,225
County of Riverside Infrastructure Financing Authority (2017 A Lease Revenue Refunding Bonds) <sup>(12)</sup>	2044	46,970,000	45,705,000	2,761,863
County of Riverside Infrastructure Financing Authority (2017 B & 2017 C Lease Revenue Bonds) <sup>(13)</sup>	2047	22,205,000	21,145,000	1,416,700
<b>TOTAL</b>		<u>\$966,815,073</u>	<u>\$ 759,255,211</u>	<u>\$ 91,530,525</u>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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%.

<sup>(3)</sup> The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

<sup>(4)</sup> Total annual base rental for Riverside District Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).

<sup>(5)</sup> The 2008 Series A refunded the 2000 Series B SWJC Project.

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

<sup>(7)</sup> The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

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

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

<sup>(10)</sup> 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.

<sup>(11)</sup> 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.

<sup>(12)</sup> 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).

<sup>(13)</sup> 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 August 1, 2019, the County has drawn \$10,587,564.87 on this line of credit.

As of August 1, 2019, approximately \$35,716,680.80 principal amount remained outstanding for repayment (approximately \$25,210,332.55 for department equipment purchases, and approximately \$10,506,348.26 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. The initial year's lease payment (Fiscal Year 2018-19) was approximately \$2,382,626.88, and will escalate at 2.75% annually thereafter. RUHS management presently expects to receive federal funding that will cover the Corona Clinic Lease payments. 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. RUHS management presently expects to receive federal funding that will cover the Jurupa Valley Clinic Lease payments. 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. 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. Ultimately, as the Tenant and obligor under the Facilities Lease Agreement, the County is responsible for Facilities Lease Agreement payments.

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 7% in year 12 and escalating 20% by year 22.

### **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 August 1, 2019, no principal amount remained outstanding under the original lease and \$500,000 principal amount remained outstanding under the first amendment to the lease, which are scheduled to be repaid in full by 2019 and 2020, respectively. On September 22, 2015, the County entered into a subsequent Master Equipment Lease Purchase Agreement to finance the last of the required equipment in an additional amount of \$6,368,130 and which is scheduled to be repaid in full by 2022. As of August 1, 2019, approximately \$1,866,804 principal amount of this Master Equipment Lease Purchase Agreement remained outstanding.

On October 30, 2014, the County entered into a Lease Purchase Agreement with Banc of America Public Capital Corp. in the amount of \$54,573,300 to finance the purchase and installation of certain solar equipment for the purpose of reducing County energy costs. As of March 31, 2017, the financing was restructured to a principal balance of \$57,977,325. As of August 1, 2019, approximately \$53,952,015 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 and 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 August 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 August 1, 2019, the swap agreement had a negative fair market value of \$18,422,647.60 (based on the quoted market price from the Counterparty at such date).

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

<i>Year</i>	<i>Regular Employees<sup>(1)</sup></i>
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	19,533

<sup>(1)</sup> As of December 31st of each year for years 2009 through 2018; as of August 1, 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 and RSA expired in 2016. The County's collective bargaining agreement with RCDDAA 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 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 on the reports.

**COUNTY OF RIVERSIDE  
LABOR ORGANIZATIONS<sup>(1)</sup>**

<i>Bargaining Units or Employee Group</i>	<i>Number of Employees<sup>(2)</sup></i>	<i>Expiration Date of Contract</i>
Management, Confidential, and Other Unrepresented	1,462	N/A
Law Enforcement Management Unit (LEMU)	433	December 31, 2020
Riverside County Deputy District Attorneys' Association (RCDDAA)	366	June 30, 2017 <sup>(3)</sup>
Riverside Sheriffs' Association (RSA) LEU/Corrections	2,353	June 30, 2016 <sup>(4)</sup>
Riverside Sheriffs' Association Public Safety Unit (RSA)	578	June 30, 2016 <sup>(3)</sup>
Service Employees International Union (SEIU)	7,106	November 30, 2016 <sup>(7)</sup>
Service Employees International Union (SEIU) Per Diem Unit	349	November 30, 2019
Laborers' International Union of North America (LIUNA)	7,112	March 29, 2021 <sup>(6)</sup>
In-Home Supportive Services (IHSS)	<u>N/A<sup>(5)</sup></u>	June 30, 2015 <sup>(3)</sup>
Total	19,759	

<sup>(1)</sup> Includes all County districts.

<sup>(2)</sup> As of August 1, 2019. Excludes temporary, per diem and seasonal employees, except as otherwise stated.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> The IHSS Public Authority is only the employer of record within the meaning of Government Code Section 3500 et seq. (Meyers-Miliias-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.

<sup>(6)</sup> 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.

<sup>(7)</sup> As described herein, the Board of Supervisors voted to impose the terms of the County's last, best and final offer to SEIU pursuant to Government Code Section 3505.7 effective December 20, 2018. Such terms will govern the County's relations with SEIU in place of a memorandum of understanding.

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. Due to recent pension reform, the County's retirement plan currently includes three tier levels of benefits.

**COUNTY OF RIVERSIDE  
EMPLOYEES PER RETIREMENT TIER<sup>(1)</sup>  
(As of August 1, 2019)**

<i>Tier Level</i>	<i>Number of Employees in Tier Level</i>
Tier 1	11,156
Tier 2	757
Tier 3	<u>7,763</u>
Total	19,676

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

**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 2019 covered PERS' Fiscal Year 2017-18). 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, 2018, which was prepared in July 2019, is effective for the County's Fiscal Year 2020-21). 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 percentage 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 percentage 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.

On December 21, 2016, the PERS Board of Administration lowered the discount rate from 7.50% to 7.00% using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2020-21 were calculated using a discount rate of 7.0%. The decision to reduce the discount rate was primarily based on reduced capital market assumptions provided by external investment consultants and PERS investment staff. The specific decision adopted by the Board reflected

recommendations from PERS staff and additional input from employer and employee stakeholder groups. Based on the investment allocation adopted by the Board and capital market assumptions, the reduced discount rate schedule provides a more realistic assumption for the long-term investment return of the fund

On February 14, 2018, the PERS Board of Administration adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

**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 11.75%. Member contribution rates vary based on the terms of the collective bargaining agreements in effect. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

**Funding Status.** The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "— Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2018, the PERS actuary recommended an employer normal cost contribution rate of 11.673% (\$141.6 million) be implemented as the required rate for Fiscal Year 2020-21, and an employer unfunded liability payment of approximately \$155.3 million, which the County anticipates will result in a contribution to PERS of approximately \$297 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately \$287,040 in County Offsets of Employee Contributions for Fiscal Year 2020-21, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2020-21 of approximately \$297.2 million. In the actuarial valuation for the Safety Plan as of June 30, 2018, the PERS actuary recommended an employer normal cost contribution rate of 21.095% (\$70.9 million) be implemented as the required rate for Fiscal Year 2020-21, and an employer unfunded liability payment of approximately \$73.6 million, which the County anticipates will result in a contribution to PERS of approximately \$144.5 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 2020-21 is projected to be approximately \$441.9 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 \$243,900,000, 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 \$109.5 million as of February 15, 2019. 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)**

<i>Valuation Date</i> <i>June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>
2011	\$286,064,497	85.9%	2013-14	\$ 71,724,520
2012	225,792,281	89.2	2014-15	70,139,838
2013 <sup>(2)</sup>	509,464,128	77.7	2015-16	80,459,918
2014	517,389,969	80.2	2016-17	90,515,002
2015	705,377,373	75.2	2017-18	97,043,553
2016	958,272,557	69.2	2018-19	117,148,524
2017	966,674,937	71.2	2019-20	133,860,833
2018	1,089,696,531	70.4	2020-21	144,542,181

<sup>(1)</sup> Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.

<sup>(2)</sup> 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, 2018 (UAAL and Funded Status).

**HISTORICAL FUNDING STATUS  
(Miscellaneous Plan)**

<i>Valuation Date</i> <i>June 30</i>	<i>Unfunded Accrued Actuarial Liability</i>	<i>Funded Status (Actuarial Value)</i>	<i>Affects County Contribution for Fiscal Year</i>	<i>County Contribution Amount<sup>(1)</sup></i>
2011	\$ 538,055,042	87.9%	2013-14	\$125,248,122
2012	536,480,531	88.6	2014-15	127,786,977
2013 <sup>(2)</sup>	1,034,364,773	79.3	2015-16	151,557,834
2014	973,226,141	82.8	2016-17	178,554,572
2015	1,399,399,333	77.3	2017-18	183,911,209
2016	2,050,567,259	70.1	2018-19	224,862,038
2017	2,115,475,543	71.6	2019-20	265,021,457
2018	2,416,961,672	70.4	2020-21	297,035,219

<sup>(1)</sup> Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan, as debt service with respect to the County's outstanding pension obligation bonds, or otherwise.

<sup>(2)</sup> 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, 2018 (UAAL and Funded Status).

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)**

<i>Valuation Date June 30</i>	<i>Accrued Liability (a)</i>	<i>Actuarial Value of Assets (b)</i>	<i>Unfunded Liability (a-b)</i>	<i>Funded Status (Actuarial Value) (b/a)</i>	<i>Annual Covered Payroll (c)</i>	<i>UAAL as a Percentage of Payroll ((a-b)/c)</i>	<i>Market Value of Assets (MVA)</i>	<i>Funded Ratio MVA</i>
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 <sup>(1)</sup>	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
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 <sup>(2)</sup>
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
2018	3,676,571,381	2,586,874,850	1,089,696,531	70.4	309,713,827	351.8	2,586,874,850	70.4

<sup>(1)</sup> Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

<sup>(2)</sup> 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, 2018.

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

<b>Valuation Date June 30</b>	<b>Accrued Liability (a)</b>	<b>Actuarial Value of Assets (b)</b>	<b>Unfunded Liability (a-b)</b>	<b>Funded Status (Actuarial Value) (b/a)</b>	<b>Annual Covered Payroll (c)</b>	<b>UAAAL as a Percentage of Payroll ((a-b)/c)</b>	<b>Market Value of Assets (MVA)</b>	<b>Funded Ratio MVA</b>
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 <sup>(1)</sup>	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
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 <sup>(2)</sup>
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
2018	8,165,793,889	5,748,832,217	2,416,961,672	70.4	1,118,711,056	216.0	5,748,832,217	70.4

<sup>(1)</sup> Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equals Market Value of Assets per PERS Direct Rate Smoothing Policy.

<sup>(2)</sup> 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, 2018.

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**

<i>Valuation Date</i> <i>June 30</i>	<i>Affects Contribution Rate for Fiscal Year:</i>	<i>Safety Plan</i>	<i>Employer Payment of Unfunded Liability</i>	<i>Miscellaneous Plan</i>	<i>Employer Payment of Unfunded Liability</i>
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 <sup>(1)</sup>	\$ 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
2018	2020-21	21.095	73,668,397	11.673	155,375,654

<sup>(1)</sup> 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, 2018.

**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 Pension Report projects the following contribution to PERS (including both normal cost and UAAL amortization):

**PROJECTED COUNTY CONTRIBUTIONS  
(Miscellaneous Plan)<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>County Rate</i>	<i>County Payment</i>
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

<sup>(1)</sup> 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 Pension Report.

**PROJECTED COUNTY CONTRIBUTIONS  
(Safety Plan)<sup>(1)</sup>**

<i>Fiscal Year</i>	<i>County Rate</i>	<i>County Payment</i>
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

<sup>(1)</sup> 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 Pension 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 "DBPP") to employees who are designated as a part-time or temporary employee and 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 DBPP is at least 80% funded. Participants in the DBPP are required to contribute 3.75% of their eligible compensation to the DBPP 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 DBPP was funded at 82.5%. The County's contribution to the DBPP was \$667,952 for Fiscal Year 2015-16, \$1,341,340 for Fiscal Year 2016-17 and \$815,531 for Fiscal Year 2017-18. The DBPP's unfunded liabilities as of June 30, 2018 were approximately \$8.54 million.

**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 approximately \$2.1 million and approximately \$4.2 million in Fiscal Year 2019-20. According to the Health Benefits Valuation, as of June 30, 2018, the County's OPEB funded ratio was 57.8%.

## **Riverside University Health System - Medical Center**

Riverside University Health System—Medical Center (“RUHS”) is an approximately 520,000 square foot tertiary care and Level II trauma facility, licensed for 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. RUHS is serviced by nearly 3,500 healthcare professionals and support staff, and provides training to 1,000 medical residents and students and 2,500 nursing students annually. RUHS has 12 operating rooms including one with a da Vinci Xi surgical robot, a helipad located directly adjacent to the trauma center, and digital radiology services, including magnetic resonance imaging (MRI) and computerized tomography (CT), and all single-bed rooms, and provides support to numerous hospital-based clinics. There are also adult, pediatric and neonatal intensive care units, a birthing center and complete pulmonary services, including hyperbaric oxygen treatments, and one of only ten emergency psychiatric hospitals in the State.

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

In response to several years of declining profitability and losses, in 2013, the County’s Board of Supervisors retained Huron Consulting Group (“Huron”) to provide consulting services designed to improve efficiencies and increase revenue at RUHS. The engagement is complete and suggested changes were implemented. Toward the end of the Huron engagement, the County completed restructuring efforts at RUHS through permanent 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). Also as previously reported in the Third Quarter Budget Report, 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 period, 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 office 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 remaining cost was financed with a lease line of credit with Banc of America Public Capital Corporation. The County expects construction of the medical office buildings to be complete in fall 2019. The County expects to contribute approximately \$7 million in Fiscal Year 2019-20 from the General Fund to RUHS to pay for debt service related to the medical office buildings.

For Fiscal Year 2018-19, 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 2018-19 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.

### **Insurance**

The County is self-insured for short-term disability, unemployment insurance, general liability, medical malpractice and workers' compensation claims. General liability claims are self-insured to \$3.5 million for each occurrence with a \$2 million corridor and the balance (to \$25 million for each occurrence) is insured through CSAC Excess Insurance Authority ("CSAC EIA"), a joint powers authority and insurance risk sharing pool consisting of 55 counties in the State, as well as other non-county public entities. Medical malpractice is self-insured for the first \$1.1 million for each claim with a \$1.5 million limit on a claims-made basis in excess of the County's self-insured retention, followed by a \$20 million limit on an occurrence basis through CSAC EIA, for a total limit of \$21.5 million in excess of the County's self-insured retention. Workers' compensation claims are self-insured to \$2 million for each occurrence and the balance of statutory limits (unlimited) is insured through CSAC EIA. Long-term disability income claims are fully insured by an independent carrier.

The CSA EIA property insurance program provides insurance coverage for all-risk subject to a \$50,000 per occurrence deductible; flood coverage is subject to a \$100,000 per occurrence deductible within a 100-year flood zone and a \$50,000 deductible outside of a 100-year flood zone. In order to diversify risk, property exposure amongst all members within the program are categorized into eight "Towers" based on geography and building type. The County participates in four of the eight Towers, each of which provides \$100 million in all-risk limits (including earthquake and flood limits). A \$300 million excess all risk rooftop layer sits above the Towers, providing a total of \$600 million in all-risk limits for Towers I-VIII. With respect to earthquake coverage, each of the four Towers in which the County participates has a sub-limit of \$100 million, with a \$365 million excess rooftop layer shared by all of the 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 \$765 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.

## Litigation

No litigation is pending, or, to the best knowledge of the County, threatened, concerning the validity of the Notes or the Resolution, or contesting the County's ability to appropriate or make the repayment of the Notes, or materially impacting Pledged Revenues, and an opinion of the Office of County Counsel to that effect will be furnished to the Underwriters at the time of the execution and delivery of the Notes. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2017-18, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately \$33,200,000, of which \$3,770,000 is allocable to the County. Assuming the portion of the total possessory interest tax allocable to the County in Fiscal Year 2018-19 is similar to Fiscal Year 2017-18, the County's share of possessory interest tax collection from Agua Caliente lessees in Fiscal Year 2018-19 is estimated to be approximately \$3,900,000. 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*. The time for Agua Caliente to petition the Supreme Court has now lapsed. As such, judgment has been rendered in favor of the County and against the Tribe. The County is now focusing its efforts to defend the following state cases that arise out of the same possessory interest tax.

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 and attorney's fees. 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 County has filed its response with the Court of Appeal and the parties are awaiting a briefing schedule. Regardless of the outcome, the County anticipates that the matter will be appealed to the California Supreme Court. The County anticipates that this matter will not be fully resolved until late summer of 2020.

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. The County expects that the earliest date the Court of Appeal will hear this case is in the summer of 2020.